



राजपत्र, हिमाचल प्रदेश

हिमाचल प्रदेश राज्य शासन द्वारा प्रकाशित

शिमला, शनिवार 2 अप्रैल, 2011/12 चैत्र, 1933

विधि विभाग

अधिसूचना

शिमला, 31 मार्च, 2011

संख्या एल0एल0आर0-डी0 (6)-3/2011-लेज.-हिमाचल प्रदेश की राज्यपाल, भारत के संविधान के अनुच्छेद 200 के अधीन प्रदत्त शक्तियों का प्रयोग करते हुए दिनांक 31-3-2011 को अनुमोदित हिमाचल प्रदेश राजकोषीय उत्तरदायित्व और बजट प्रबन्ध (संशोधन) विधेयक, 2011 (2011 का विधेयक संख्यांक 3) को वर्ष 2011 के अधिनियम संख्यांक 25 के रूप में संविधानके अनुच्छेद 348 (3) के अधीन उसके अंग्रेजी प्राधिकृत पाठ सहित हिमाचल प्रदेश राजपत्र (असाधारण) में प्रकाशित करती हैं।

आदेश द्वारा,
अवतार चन्द डोगरा,
प्रधान सचिव (विधि),
हिमाचल प्रदेश सरकार।

हिमाचल प्रदेश राजकोषीय उत्तरदायित्व और बजट प्रबन्ध (संशोधन) अधिनियम, 2011

(राज्यपाल महोदया द्वारा तारीख 31 मार्च, 2011 को यथाअनुमोदित)

हिमाचल प्रदेश राजकोषीय उत्तरदायित्व और बजट प्रबन्ध अधिनियम, 2005 (2005 का अधिनियम संख्यांक 14) का और संशोधन करने के लिए अधिनियम।

**भारत गणराज्य के बासठवें वर्ष में हिमाचल प्रदेश विधान सभा द्वारा
निम्नलिखित रूप में यह अधिनियमित हो:—**

1. संक्षिप्त नाम.—इस अधिनियम का संक्षिप्त नाम हिमाचल प्रदेश राजकोषीय उत्तरदायित्व और बजट प्रबन्ध (संशोधन) अधिनियम, 2011 है।

2. धारा 5 का संशोधन.—हिमाचल प्रदेश राजकोषीय उत्तरदायित्व और बजट प्रबन्ध अधिनियम, 2005 (जिसे इसमें इसके पश्चात् “मूल अधिनियम” कहा गया है) की धारा 5 में,—

(क) उपधारा (1) के स्थान पर निम्नलिखित उपधारा रखी जाएगी, अर्थात् :—

“(1) विशिष्टतया और पूर्वगामी उपबन्धों की व्यापकता पर प्रतिकूल प्रभाव डाले बिना, राज्य सरकार—

- (i) वित्तीय वर्ष 2011-12 तक राजस्व घाटा समाप्त करेगी और तत्पश्चात् राजस्व अधिशेष बनाए रखेगी;
- (ii) राजकोषीय घाटे को, वित्तीय वर्ष 2010-2011 तक सकल राज्य घरेलू उत्पाद के 3.5 प्रतिशत तक या इससे कम करेगी, वित्तीय वर्ष 2011-12 तक सकल राज्य घरेलू उत्पाद के 3 प्रतिशत तक या इससे कम करेगी और तत्पश्चात् राजकोषीय घाटे को सकल राज्य घरेलू उत्पाद के 3 प्रतिशत के स्तर तक या इससे कम पर बनाए रखेगी;
- (iii) परादेय ऋण को, वित्तीय वर्षों 2010-11, 2011-12, 2012-13, 2013-14 और 2014-15 तक सकल राज्य घरेलू उत्पाद के क्रमशः 49.7 प्रतिशत, 47.0 प्रतिशत, 44.4 प्रतिशत, 42.1 प्रतिशत और 40.1 प्रतिशत तक कम करेगी; और
- (iv) पूर्ववर्ती वित्तीय वर्ष में कुल राजस्व प्राप्ति, जिसके लिए वित्तीय लेखों के अनुसार वास्तविक आंकड़े उपलब्ध हैं, के चालीस प्रतिशत से कम के दीर्घकालिक ऋण पर परादेय जोखिम भारित प्रत्याभूतियां बनाए रखेगी।”;

(ख) उपधारा (2) के स्थान पर निम्नलिखित उपधारा रखी जाएगी, अर्थात् :—

“(2) उपधारा (1) में किसी बात के होते हुए भी, राष्ट्रीय सुरक्षा के कारणों से या, यथास्थिति, राज्य सरकार या केन्द्रीय सरकार द्वारा प्राकृतिक आपदा घोषित करने के कारण, राज्य सरकार के वित्त पोषण पर अप्रत्याशित मांगों की दशा में, उपधारा (1) के खण्ड (i), (ii) और (iii) के विभिन्न मानदण्डों के अन्तर्गत लक्ष्यों में बढ़ोतरी हो सकेगी :

परन्तु इस उपधारा के अधीन विनिर्दिष्ट आधार या आधारों के बारे में विवरण, ऐसे घाटे की रकम के उपरोक्त लक्ष्यों से अधिक होने के पश्चात्, यथाशक्यशीघ्र विधान सभा के समक्ष रखा जाएगा।”।

3. धारा 7 का संशोधन.—मूल अधिनियम की धारा 7 की उपधारा (2) के पश्चात् निम्नलिखित नई उपधारा अन्तःस्थापित की जाएगी, अर्थात्:—

“(3) इस अधिनियम के अधीन निर्दिष्ट राजकोषीय सुधार कार्यप्रणाली पर पुनर्विचार करने और मॉनीटर करने के लिए, राज्य सरकार द्वारा, एक स्वतन्त्र क्रियाप्रणाली स्थापित की जाएगी।”।

Act No. 25 of 2011

**THE HIMACHAL PRADESH FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT (AMENDMENT) ACT, 2011**

(As Assented to by the Governor on 31st March, 2011)

AN

ACT

further to amend the Himachal Pradesh Fiscal Responsibility and Budget Management Act, 2005 (Act No. 14 of 2005).

BE it enacted by the Legislative Assembly of Himachal Pradesh in the Sixty-second Year of the Republic of India as follows:—

1. Short title.—This Act may be called the Himachal Pradesh Fiscal Responsibility and Budget Management (Amendment) Act, 2011.

2. Amendment of section 5.—In section 5 of the Himachal Pradesh Fiscal Responsibility and Budget Management Act, 2005 (hereinafter referred to as the “principal Act”),—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) In particular and without prejudice to the generality of the foregoing provisions, the State Government shall—

- (i) eliminate revenue deficit by financial year 2011-12 and maintain revenue surplus thereafter;
- (ii) reduce fiscal deficit to 3.5 per cent or less of Gross State Domestic Product by financial year 2010-11, 3 per cent or less of Gross State Domestic Product by financial year 2011-12 and maintain fiscal deficit at the level of 3 per cent or less of Gross State Domestic Product thereafter;
- (iii) reduce outstanding debt to 49.7 per cent, 47.0 per cent, 44.4 per cent, 42.1 per cent and 40.1 per cent of Gross State Domestic Product by the financial years 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively; and
- (iv) maintain outstanding risk weighted guarantees on long term debt below forty per cent of total revenue receipt in the preceding financial year for which actuals are available as per finance accounts.”; and

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) Notwithstanding anything contained in sub-section (1), the targets under different parameters of clauses (i), (ii) and (iii) of sub-section (1), may be exceeded in the case of unforeseen demands on the finances of the State Government due to reasons of national security or natural calamity declared by the State Government or the Central Government, as the case may be:

Provided that a statement in respect of the ground or grounds specified under this sub-section shall be placed before the Legislative Assembly, as soon as may be, after such deficit amount exceeds the aforesaid targets.”.

3. Amendment of section 7.—In section 7 of the principal Act, after sub-section (2), the following new sub-section shall be inserted, namely:—

“(3) An independent mechanism shall be set up by the State Government to review and monitor the fiscal reform path set out under this Act.”.

**HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA**

NOTIFICATION

Shimla, the 1st April 2011

No. HPERC/Dis/479.- Whereas section 61 of the Electricity Act, 2003 (36 of 2003), provides that the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the National Tariff Policy formulated under the said Act;

And Whereas the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC ((Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007;

And Whereas subsequent to the framing of regulations by the Commission, changes have been made in the National Tariff Policy;

And Whereas the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the tariff for distribution licensees for the next control period starting from 1st April, 2011 and keeping in view the changes in the National Tariff Policy and methodologies of the Central Commission, amongst others it has become necessary to amend/modify the existing regulations;

Now, therefore, in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of section 181, read with sections 61, 62 and 86, of the of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following regulations for determination of wheeling tariff and retail supply tariff applicable to the distribution licensees:-

REGULATIONS

PART-I

PRELIMINARY

1. Short title, extent and commencement

- (1) These regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011.
- (2) These regulations shall extend to the whole of the State of Himachal Pradesh.
- (3) These regulations shall come into force with effect from 1st April, 2011.

2. Definitions :

In these regulations, unless the context otherwise requires,-

- (1) “**Act**” means the Electricity Act, 2003 (36 of 2003);

- (2) **“aggregate revenue requirement” or “ARR”** means the costs pertaining to the licensed business which are permitted, in accordance with these regulations, to be recovered from the tariffs and charges determined by the Commission;
- (3) **“allocation statement”** means for each financial year, a statement in respect of each of the businesses (wheeling, retail supply, other business) of the licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc, which has been either -
 - (a) determined by apportionment or allocation between different businesses of the licensee including the licensed business, together with a description of the basis of the apportionment or allocation; or
 - (b) charged from or to each such other business together with a description of the basis of that charge;
- (4) **“Appendix”** means the appendix to these regulations;
- (5) **“base year”** means the financial year immediately preceding first year of the control period and used for the purposes of these regulations;
- (6) **“change in law”** means occurrence of any of the following events:-
 - (a) the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of any law, or
 - (b) change in interpretation of any law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation, or
 - (c) change by any competent statutory authority, in any consent, approval or licence available or obtained for the project;
- (7) **“Commission”** means the Himachal Pradesh Electricity Regulatory Commission as referred to in sub section (1) of section 82 of the Act;
- (8) **“Conduct of Business Regulations”** means the Conduct of Business Regulations specified by the Commission under sub-section (1) of section 92 of Act;
- (9) **“control period”** means a multi-year period fixed, by the Commission, from time to time, for which the principles of determination of revenue requirement and tariff will be laid down;
- (10) **“distribution business”** means authorised business of a distribution licensee to operate and maintain a distribution system for supplying electricity to the consumers in an area of supply;
- (11) **“financial year”** means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (12) **“licence”** means a licence granted under section 14 of the Act;

- (13) **“licensed business”** means the functions and activities, which the licensee is required to undertake in terms of the licence granted by the Commission or being a deemed licensee under the Act;
- (14) **“licensee”** means a person who has been granted a licence and shall include a deemed licensee;
- (15) **“non-tariff income”** means income relating to the licensed business other than from tariff (wheeling and retail supply), and excluding any income from other business, cross-subsidy surcharge and additional surcharge;
- (16) **“other business”** means any business of the distribution licensee other than the licensed business;
- (17) **“retail supply business”** means the business of sale of electricity by a distribution licensee to the consumers within the area of supply in accordance with the terms of the licence for distribution and retail supply of electricity;
- (18) **“retail supply tariff”** means the rate charged by the distribution licensee for supply to non-open access customers and includes charges for wheeling and retail supply;
- (19) **“State”** means the State of Himachal Pradesh;
- (20) **“trading business”** means the authorised business of an electricity trader in the area of operation allowed under the trading licence granted;
- (21) **“trading licence”** means the licence granted under section 14 of the Act to undertake trading in electricity;
- (22) **“wheeling”** means the operation whereby the distribution system and associated facilities of a distribution licensee are used by another person for the conveyance of electricity on payment of charges to be determined under section 62;
- (23) **“wheeling business”** means the business of operating and maintaining a distribution system for conveyance of electricity in the area of supply of the distribution licensee;
- (24) **“year”** means a financial year; and
- (25) the words and expressions used in these regulations and not defined herein but defined in the Act shall have the meanings respectively assigned to them in the Act.

PART-II

GUIDING PRINCIPLES

3. General Approach

- (1) In accordance with the principles laid down in these regulations, the Commission shall determine the tariff for –
 - (a) wheeling of electricity, i.e. wheeling tariff;

(b) retail sale of electricity, i.e. retail supply tariff:

Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Commission may, for promoting competition amongst distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity:

Provided further that where the Commission has permitted open access to any category of consumers under section 42 of the Act, the Commission shall determine the wheeling tariff, cross-subsidy surcharge, additional surcharge and other open access related charges in accordance with these regulations and the Himachal Pradesh Electricity Regulatory Commission (Cross Subsidy Surcharge, Additional Surcharge and Phasing of Cross Subsidy) Regulations, 2006.

- (2) In accordance with the principles laid down in these regulations, the Commission shall determine the aggregate revenue requirement (ARR) and tariff for -
 - (a) wheeling business; and
 - (b) retail supply business.
- (3) The aggregate revenue requirement (ARR) determined for the wheeling business shall be used in fixation of the wheeling tariff.
- (4) The aggregate revenue requirement (ARR) determined for retail supply business shall be used in fixation of the retail supply tariff for retail sale of electricity.
- (5) The Tariff determined by the Commission and the directions given in the tariff order made by the Commission shall be quid pro quo and mutually inclusive. The tariff determined shall, within the period specified by it, be subject to the compliance of the directions to the satisfaction of the Commission and their noncompliance shall lead to such amendment, revocation, variations and alterations of the tariff, as may be ordered by the Commission.
- (6) The tariff order shall, unless amended or revoked, continue to be in force for such period as may be specified in the tariff order. In the event of failure on the part of the licensee to file the aggregate revenue requirement (ARR) under Part-IV, the tariff determined by the Commission shall cease to operate, unless allowed to be continued for a further period with such variations, or modifications, as may be ordered by the Commission.

4. Multi Year Tariff (MYT) Framework

The Commission shall adopt multi year tariff framework for approval of ARR and expected revenue from tariffs and charges for the control period. The multi year tariff framework shall be based on the following: -

- (a) **Business plan** of the distribution licensee for the entire control period to be submitted to the Commission for approval, prior to the beginning of the control period;
- (b) **Applicant's forecast of expected wheeling tariff and retail supply** tariff for each year of the control period, based on reasonable assumptions of the underlying financial and operational parameters, as submitted in the business plan;

- (c) **Trajectory for specific parameters** shall be stipulated by the Commission, where the performance of the applicant is sought to be improved through incentives and disincentives;
- (d) **Annual review of performance** shall be conducted vis-à-vis the approved forecast and categorization of variations in performance into controllable factors and uncontrollable factors;
- (e) **Profit sharing** shall be applied on the profits arising from the distribution licensee's better performance vis-à-vis distribution loss targets and targets for the other controllable parameters specified by the Commission. The distribution licensee shall be free to utilise its share in the profit.
- (f) **Variation in revenue/cost** on account of uncontrollable factors like sales and power purchase shall be trued up annually.

5. Segregation of Wheeling and Retail Supply Business

- (1) The distribution licensee shall segregate the accounts of the licensed business into wheeling business and retail supply business. The ARR for wheeling business shall be used to determine wheeling charges and the ARR for retail supply business to determine retail supply tariff.
- (2) Till such time there is complete segregation of accounts, the licensees shall prepare an allocation statement to apportion costs and revenues to respective business. The allocation statement, approved by the board of directors/ whole time directors of the licensee, shall be accompanied with an explanation of the methodology which should be consistent over the control period.

6. Determination of Baseline

The baseline values (operating and cost parameters) for the base year of the control period shall be determined by the Commission and shall be based on the approved values by the Commission, the latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission:

Provided that in case of substantial difference between the estimates earlier provided/considered for determination of baseline values and the actual audited accounts, the Commission may re-determine the baseline values for the base year.

7. Targets for Controllable Parameters

The Commission shall set targets for each year of the control period for the items or parameters that are deemed to be "controllable" and which will include-

- (a) **Distribution losses**, which shall be measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its licence area in the same year;
- (b) **Operation and Maintenance Expenditure** which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;

- (c) **Financing cost** which includes cost of debt including working capital (interest), cost of equity (return); and
- (d) **Depreciation.**

8. Sales Forecast

- (1) The Commission, based on the licensee's filings, shall examine the forecast for reasonableness and consistency, and shall approve the sales forecast for each year of the control period.
- (2) Sales shall be treated as uncontrollable:

Provided that the open access transactions shall not form part of sales.
- (3) Power purchase quantum and cost for any financial year shall be computed on the basis of distribution loss targets and the estimated sales.

9. Capital Investment

- (1) The Commission shall approve capital investment plan of the licensees for the control period commensurate with load growth, rural electrification, system extension, distribution loss reduction and quality improvement proposed in the business plan.
- (2) The distribution licensee shall be required to take scheme wise approval for capital investment for creation of new assets at 33 kV and above, but for creation of new assets below 33 kV and network augmentation approval will be required as block of scheme.
- (3) Capital investment plan submitted by the licensee shall also provide details of on going projects that will spill into the control period and new projects for creation of new assets at 33 kV and above that will commence during the control period but may extend beyond the control period.
- (4) The investment plan shall be scheme-wise and with respect to each circle/scheme shall include-
 - (a) purpose of investment (i.e. replacement of existing assets, meeting load growth, technical loss reduction, non-technical loss reduction, meeting reactive energy requirements, customer service improvement, improvement in quality and reliability of supply, etc) ;
 - (b) Capital Structure;
 - (c) Capitalisation Schedule;
 - (d) Financing Plan;
 - (e) Cost-benefit analysis; and
 - (f) Improvement in operational efficiency envisaged in the control period, etc.

- (5) For the Annual Performance Review, the distribution licensee shall submit the actual capital expenditure incurred and capitalisation during the year under review along with the Annual Performance Review Filing.
- (6) The Commission shall review the actual capital expenditure incurred and capitalisation at the end of each year of the control period vis-à-vis the approved capital expenditure and capitalisation schedule. In the normal course, the Commission shall not revisit the approved capital investment plan (capital expenditure and capitalisation schedule) during the control period and adjustment to depreciation, interest on capital loan and return on equity for the actual capital expenditure incurred and capitalisation vis-à-vis approved capital investment plan (capital expenditure and capitalisation) shall be done at the end of the control period.
- (7) In case the capital expenditure is required for emergency work which has not been approved in the Capital Investment Plan, the licensee shall submit an application, containing all relevant information along with reasons justifying emergency nature of the proposed work, seeking approval by the Commission. The licensee shall take up the work prior to the approval of the Commission provided that the emergency nature of the scheme has been certified by its Board of Directors.

10. Quality of Supply and Customer Service

The quality of supply and the customer service parameters shall be monitored as per the norms to be laid down by the Commission separately from time to time. For certain parameters as mentioned in regulation 34 of these regulations, the Commission shall monitor licensee's performance with respect to the targets specified.

11. True Up

- (1) The true up across various controllable and uncontrollable parameters shall be conducted as per principles stated below: -
 - (a) Variation in revenue / expenditure on account of uncontrollable sales and power purchase shall be trued up every year. Truing-up shall be carried out based on the actual/audited information and prudence check by the Commission:

Provided that if such variations are large, and it is not feasible to recover in one year alone, the Commission may take a view to create a regulatory asset, as per the guidelines provided in clause 8.2.2 of the National Tariff Policy;;

Provided further that under business as usual conditions, the Commission, to ensure tariff stability, may include the opening balances of uncovered gap/trued-up costs in the subsequent control period's ARR instead of including in the year succeeding the relevant year of the control period after providing for transition financing arrangement or capital restructuring.
 - (b) for controllable parameters -
 - (i) any surplus or deficit on account of O&M expenses shall be to the account of the licensee and shall not be trued up in ARR; and
 - (ii) at the end of the control period –

- I. the Commission shall review actual capital investment vis-à-vis approved capital investment.
 - II. depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/ audited information and prudence check by the Commission.
- (2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of *force majeure* factors after adjusting for proceeds from any insurance scheme, if any, shall be passed on as an additional charge or rebate in ARR over such period as may be mentioned in the order of the Commission.

12. Contingency Reserve

- (1) For maintaining tariff stability and passing the benefits achieved to the consumers under the multi year tariff framework via contingency reserve, the licensee shall create a contingency reserve at the beginning of the control period and the revenue surplus, if any, generated by the licensee in and up to FY 2010-11 shall be transferred to contingency reserves at the beginning of the control period.
- (2) The licensee shall maintain separate accounts in their books and reflect the balance in the contingency reserve account in the balance sheet. There shall be yearly additions and drawls to/from these contingency reserve account based on the annual review and performance of the licensee.
- (3) Fund under contingency reserve shall be kept in a separate bank account and shall be effectively invested and managed to earn returns based on market conditions ensuring adequate liquidity. This fund shall not be utilized for speculative purposes. The use of these funds in any other manner shall be only with the prior approval of the Commission.

PART-III

PRINCIPLES FOR DETERMINATION OF AGGREGATE REVENUE REQUIREMENT (ARR)

13. ARR for Distribution Business

The aggregate revenue requirement of the distribution licensees for each year of the control period shall contain the following items: -

- (a) cost of power procurement including own generation;
- (b) transmission and load dispatch charges;
- (c) operation and maintenance expenses;
- (d) financing cost which includes cost of debt including working capital (interest), cost of equity (return);
- (e) depreciation; and

- (f) income tax;
- Less:
- (i) non-tariff income;
- (ii) cross subsidy surcharge and additional surcharge; and
- (iii) income from other business.

14. Cost of Power Procurement

- (1) The licensee shall forecast sales for each customer category and sub-categories for all years of the control period in their business plan filings, for the Commission's review and approval. The approved category-wise sales forecast shall be applied along with distribution loss trajectory for estimating the licensees' power procurement requirement for each year of the control period.
- (2) The distribution licensee shall be allowed to recover the cost of power it procures from sources approved by the Commission, viz. intra-State and State trading licensees, bilateral purchases, bulk suppliers, State generators, independent power producers, Central generating stations, renewable and cogeneration sources, generation business of the distribution licensee and others, assuming maximum normative rebate available from each source for payment of bills through letter of credit on presentation of bills in accordance with the tariffs approved from time to time by the Appropriate Commission for supply to consumers of retail supply business:

Provided that the distribution licensee shall propose the cost of power procurement taking into account the fuel adjustment formula specified for the generating stations and net revenues through bilateral exchanges and unscheduled interchange (UI) transactions:

Provided further that where the licensee utilises a part of the power purchase approved or bulk supply allocated or contracted for the retail supply business for its trading business, the distribution licensee shall provide an allocation statement clearly specifying the cost of power purchase that is attributable to such trading activity.

- (3) While approving the cost of power purchase, the Commission shall determine the quantum of power to be purchased from various sources in accordance with the principles of merit order schedule and despatch based on a ranking of all approved sources of supply in the order of their variable cost of power purchase. All power purchase costs will be considered legitimate unless it is established that the merit order principle has been materially violated or power has been purchased at unreasonable rates.
- (4) The renewable purchase obligation of the distribution licensee will be as per the relevant regulations made by the Commission.

15. Distribution Losses

- (1) The target distribution loss levels for the State to be achieved by the distribution licensees at the end of control period and year-wise loss reduction trajectory for the

control period shall be fixed for the distribution licensee in the multi year tariff order:

Provided that profits arising from achieving loss level better than specified in the loss reduction trajectory for the State shall be shared in the ratio of 60:40 with the licensee and the contingency reserve:

Provided further that any financial loss on account of under performance with respect to distribution loss targets shall be to the licensee's account.

- (2) The licensee shall propose circle-wise baseline distribution loss levels and loss reduction trajectory for each year of the control period. The Commission shall examine the filings made by the licensee for the distribution loss trajectory for each year of the control period and approve the same with modification as it may consider necessary.
- (3) The distribution licensee shall also propose voltage-wise losses for each year of the control period for the determination of voltage-wise cost of supply and determination of voltage-wise wheeling tariff. The Commission shall examine the filings made by the licensee for the voltage wise distribution loss trajectory for each year of the control period and approve the same with modification as it may consider necessary:

Provided that till the actual data on voltage wise losses are not available, the distribution licensee shall submit best estimates of the voltage wise losses.

16. Transmission and Load Despatch Charges

The distribution licensee shall be allowed to recover net transmission and load despatch charges payable to the transmission licensees (Central Transmission Utility, State Transmission Utility etc.) and System Operators (Regional Load Despatch Centre, State Load Despatch Centre etc.) for access to and use of the inter-State transmission system, intra-State transmission system and availing load despatch services assuming maximum normative rebate available from each source for payment of bills through letter of credit on presentation of bills in accordance with the tariffs approved, from time to time, by the Appropriate Commission.

17. Operation and Maintenance (O&M) Expenses

- (1) Operation and Maintenance (O&M) expenses shall include: -
 - (a) salaries, wages, pension contribution and other employee costs;
 - (b) administrative and general expenses;
 - (c) repairs and maintenance expenses; and
 - (d) other miscellaneous expenses, statutory levies and taxes (except corporate income tax).
- (2) The distribution licensee shall submit the O&M expenses for the control period as laid down in the multi year tariff filing procedure. The O&M expenses for the base

year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the distribution licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission.

- (3) The O&M expenses for the nth year of the control period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n$$

Where -

$$R\&M_n = K * GFA_{n-1}$$

$$EMP_n = (EMP_{n-1}) * (1 + G_n) * (CPI_{inflation})$$

$$A\&G_n = (A\&G_{n-1}) * (WPI_{inflation})$$

‘K’ is a constant (could be expressed in %). Value of K for each year of the control period shall be determined by the Commission in the MYT Tariff order based on licensee’s filing, benchmarking of R&M Expenses, approved R&M Expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

CPIinflation – is the average increase in the Consumer Price Index (CPI) for immediately preceding three years before the base year;

WPIinflation – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three years before the base year;

EMP_n – employee costs of the distribution licensee for the nth year;

A&G_n – administrative and general costs of the distribution licensee for the nth year;

R&M_n – repair and maintenance costs of the distribution licensee for the nth year;

GFA_{n-1} – Gross Fixed Asset of the distribution licensee for the n-1th year;

G_n is a growth factor for the nth year. Value of G_n shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on licensee’s filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate:

Provided that R&M expenses determined shall be utilised towards R&M works only.

18. Asset Base

- (1) The Commission shall determine the asset base for each year of the control period at the beginning of the control period, which shall be- Sum of -:
- (a) The asset base of the base year as determined by the Commission, considering the most recent audited accounts, estimates of actuals during the base year checked for prudence and any other factors considered appropriate by the Commission, and

(b) Proposed capitalisation during the year, checked for prudence covering-

- (i) schemes for which Commission's approval has been granted,
- (ii) schemes which have been submitted for Commission's approval, and
- (iii) schemes not requiring Commission's approval;

Less:

Assets proposed to be retired during the year.

- (2) The interest on loan capital and return on equity shall be computed on the financing of the cost of the schemes included in the asset base.

19. Debt-Equity Ratio

For the purpose of determination of the tariff, the equity and outstanding debt shall be determined for the base year by the Commission taking into consideration the licensee's proposals, previous years debt-equity details and other relevant factors. However, for any fresh capitalisation of assets, the Commission shall apply a debtequity ratio of 70:30 on the capitalized amount as approved by the Commission for each year of the control period:

Provided that where equity employed is in excess of 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in regulation 21. Where actual equity employed is less than 30%, the actual equity shall be considered.

20. Return on Equity

Return on equity for the distribution licensee (sum of return on equity for wheeling business and return on retail supply business) shall be computed on the paid up equity capital determined in accordance with regulation 19 and shall be 16% per annum (post tax):

Provided that return on equity invested in works in progress shall be allowed from the date of commercial operation.

21. Interest and Finance Charges

- (1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment, and the interest rate, in accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects. For the purpose of tariff determination, the outstanding debt at the end of each year of the control period shall be taken as-

Outstanding debt at the end of the nth year = Outstanding debt at the end of the (n-1)th year + (plus) sum of amount of debt related to assets capitalized under each investment scheme during the nth year – (minus) debt repaid during the nth year;

For the first year of the control period, the (n-1)th year shall be the base year;

Amount of debt related to assets capitalized under an investment scheme during the nth year = (70% or actual, whichever is higher) **X** (multiply) (amount of capitalisation approved by the Commission for such scheme in the nth year):

Provided that all loans considered for this purpose shall be identified with the assets created:

Provided further that the interest and finance charges of re-negotiated loan agreements shall not be considered, if they result in higher charges:

Provided further that the interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost:

Provided further that neither penal interest nor overdue interest shall be allowed for computation of aggregate revenue requirement.

- (2) The interest rate on the amount of equity in excess of 30% treated as notional loan shall be the weighted average rate of the loans of the respective years and shall be further limited to the rate of return on equity specified in these regulations.
- (3) In case any moratorium period is availed of in any loan, depreciation provided for in the tariff during the years of moratorium shall be treated, as notional repayment of loan during those years and interest on loan capital shall be calculated accordingly.
- (4) The distribution licensee shall make every effort to refinancing the loan as long as it results in net benefit to the consumers. The cost associated with such refinancing shall be borne by the consumers and any benefit on account of refinancing of loan and interest on loan shall be shared in the ratio 50:50 between the licensee and the contingency reserve. The licensee shall submit the calculation of such benefit to the Commission for its approval.
- (5) In respect of foreign currency loans, variation in rupee liability due to foreign exchange rate variation, towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of such foreign exchange rate variation and is not attributable to the licensee or its suppliers or contractors.

22. Interest Charges on Working Capital

Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal to the Short-Term Prime Lending Rate of the State Bank of India as on 1st April of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures. The Commission shall calculate working capital requirement for wheeling business as mentioned in regulation 30 and retail supply business as mentioned in regulation 32 to arrive at working capital requirement of distribution licensee.

23. Depreciation

- (1) Depreciation shall be calculated for each year of the control period, on the amount of original cost of the fixed assets of the corresponding year:

Provided that depreciation shall not be allowed on assets funded by capital subsidies/grants:

Provided further that provision for replacement of such assets shall be made in the capital investment plan.

- (2) Depreciation for each year of the control period shall be determined based on the methodology as specified in these regulations alongwith the rates and other terms specified in the Appendix to these regulations.
- (3) Depreciation shall be calculated annually, based on the Straight Line Method, over the useful life of the asset. The base value for the purpose of depreciation shall be original cost of the asset.
- (4) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
- (5) Depreciation shall be charged from the first year of operation of the asset. In case, the operation of the asset is for a part of the year, depreciation shall be charged on a pro rata basis.
- (6) In addition to allowable depreciation, the distribution licensee shall be entitled to advance against depreciation (AAD), computed in the manner given hereunder: -

AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these regulations:

Provided that advance against depreciation shall be permitted only if the cumulative repayment upto a particular year exceeds the cumulative depreciation upto that year:

Provided further that advance against depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation upto that year:

- (7) On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

24. Corporate Income Tax

- (1) Income tax, if any, on the licensed business of the distribution licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its licensed business shall not be a pass through, and it shall be payable by the distribution licensee itself.

- (2) Any under-recoveries or over-recoveries of tax on income shall be adjusted every year on the basis of income-tax assessment, under the Income Tax Act, 1961, as certified by the statutory auditors:

Provided further that the benefits of tax-holiday as applicable in accordance with the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.

- (3) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.
- (4) Tax on income, if any, liable to be paid shall be limited to tax on return on equity. However, any tax liability on incentives due to improved performance shall not be considered.

25. Non-tariff Income

- (1) All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers excluding income to licensed business from the other business of the distribution licensee shall constitute non-tariff income of the licensee.
- (2) The amount received by the licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such licensee.

26. Other Income of the Licensee

Where the licensee is engaged in any other business, the income from such business will be calculated in accordance with the Himachal Pradesh Electricity Regulatory Commission (Treatment of Income of Other Businesses of Transmission Licensees and Distribution Licensees) Regulations, 2005 and shall be deducted from the aggregate revenue requirement in calculating the revenue requirement of the licensee:

Provided that the licensee shall follow a reasonable basis for allocation of all joint and common costs between the distribution business and the other business and shall submit the allocation statement, as approved by its board of directors, to the Commission alongwith his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the licensee on account of such other business.

27. Net Aggregate Revenue Requirement

- (1) The net aggregate revenue requirement of the licensee eligible for recovery during each year of the control period shall be determined after deducting from the aggregate revenue requirement, the non-tariff income and other income, less:

receipts on account of cross subsidy surcharge and additional surcharge from open access customers.

- (2) For determination of wheeling charges for open access customers, the ARR for the distribution licensee shall be segregated into ARR for wheeling business and ARR for retail supply business.

28. Aggregate Revenue Requirement (ARR) for Wheeling Business

The ARR for the wheeling business of the distribution licensees for each year of the control period, shall contain the following items: -

- (a) operation and maintenance expenses;
- (b) financing cost which includes cost of debt including working capital (interest), cost of equity (return);
- (c) depreciation;
- (d) income tax; and
- (e) interest on consumer security deposit.

Less:

- (i) non-tariff income; and
- (ii) income from other business.

29. Return on Equity for Wheeling Business

Return on equity shall be computed on the paid up equity capital determined in accordance with regulation 19 and shall be 16% per annum (post tax):

Provided that return on equity, invested in work in progress shall be allowed from the date of commercial operation.

30. Working Capital for Wheeling Business

The Commission shall calculate the working capital requirement for the wheeling business containing the following components: -

- (a) O&M expenses for one month;
- (b) receivables for two months of the wheeling charges;
- (c) maintenance spares @ 40% of R&M Expenses for one month; and

Less

consumer security deposit, if any.

31. Aggregate Revenue Requirement (ARR) for Retail Supply Business

The ARR for the retail supply business of the distribution licensee, for each year of the control period, shall contain the following items;

- (a) cost of power procurement;
- (b) transmission and load dispatch charges;
- (c) operation and maintenance expenses;
- (d) financing cost which includes cost of debt including working capital (interest), cost of equity (return);
- (e) depreciation;
- (f) income tax; and
- (g) interest on consumer security deposit;

Less:

- (i) non-tariff income;
- (ii) income from other business; and
- (iii) receipts on account of cross subsidy surcharge and additional surcharge from open access customers.

32. Working Capital for Retail Supply Business

Working capital for retail supply of electricity shall consist of -

- (a) O&M expenses for one month;
- (b) receivables for two months of revenue from sale of electricity;
- (c) maintenance spares @ 40% of R&M Expenses for one month;

Less:

- (i) power purchase costs for one month; and
- (ii) consumer security deposit, if any.

33. Income from Cross-Subsidy Surcharge and Additional Surcharge

- (1) The amount received or to be received by the licensee on account of crosssubsidy surcharge and additional surcharge, as approved by the Commission from time to time in accordance with the Himachal Pradesh Electricity Regulatory Commission (Cross Subsidy Surcharge, Additional Surcharge and Phasing of Cross Subsidy) Regulations, 2006, shall be shown separately against the consumer category that is permitted open access as per the phasing plan.

- (2) Cross-subsidy surcharge and additional surcharge shall be shown as revenue from the tariff from the consumer categories permitted open access in accordance with the Himachal Pradesh Electricity Regulatory Commission (Cross Subsidy Surcharge, Additional Surcharge and Phasing of Cross Subsidy) Regulations, 2006 and such amount shall be utilized to meet the cross-subsidy requirements of subsidised categories and fixed costs of the licensee arising out of his obligation to supply. The licensee shall provide such details in its annual filings.

34. Quality of Supply and Services

- (1) The quality of supply and the customer service parameters shall be monitored as per the norms specified by the Commission from time to time.
- (2) The licensee shall propose baseline and performance trajectory for quality parameters as specified in the Himachal Pradesh Electricity Regulatory Commission (Distribution Performance Standards) Regulation, 2010.
- (3) The Commission shall make an assessment on reliability of baseline data and may prescribe the performance trajectory for each identified parameter for the control period which shall be complied by the distribution licensee. The Commission shall develop a performance framework to encourage licensees to improve quality of supply and services.
- (4) The licensee shall submit the performance on each parameter in the form and manner directed by the Commission and the Commission shall conduct periodic reviews on the performance of the licensee with respect to quality parameters.

PART-IV

MULTI YEAR TARIFF FILING PROCEDURE

35. Multi-Year Filings for the control period

- (1) The multi year tariff filing shall be in such form and in such manner as may be laid down by the Commission by an order and also as per the provisions of the Conduct of Business Regulations.
- (2) The licensee shall also submit the multi year tariff filing in electronic format to the Commission.

36. Beginning of the control period - business plan filings

The distribution licensee shall file, for the Commission's approval, on or before 30th November of the year, preceding the first year of the control period, or any other date as may be directed by the Commission, a business plan approved by its board of directors. The business plan shall be for the entire control period and shall, interalia, contain: -

- (a) sales/demand forecast for each customer category and sub-categories for each year of the control period;
- (b) distribution loss reduction trajectory for each year of the control period;
- (c) collection efficiency for each year of the control period;

- (d) power procurement plan based on the sales forecast and distribution loss trajectory for each year of the business plan period; the power procurement plan may also include energy efficiency and demand side management measures;
- (e) capital investment plan: This shall take into account the sales/demand forecast, power procurement plan, distribution loss trajectory, targets for quality of supply, etc. The capital investment plan shall be consistent with the perspective plan drawn by the State Transmission Utility (STU), and shall include the corresponding capitalisation schedule and financing plan. The Commission shall approve capital investment plan of the licensees for the control period commensurate with load growth, distribution loss reduction and quality improvement proposed in the business plan;
- (f) the appropriate capital structure of each scheme proposed and cost of financing (interest on debt and return on equity), terms of the existing loan agreements, etc;
- (g) the Operation and Maintenance (O&M) costs estimated for the base year and two years prior to the base year with complete details, together with the forecast for each year of the control period based on the proposed efficiency in operating costs, norms for O&M cost allowance including indexation and other appropriate mechanism;
- (h) details of depreciation based on the useful life of the asset and capitalisation schedules for each year of the control period;
- (i) a set of targets proposed for other items such as collection efficiency, bad debts, working capital, quality of supply targets, etc. The targets shall be consistent with the capital investment plan proposed by the licensee;
- (j) proposals for other items such as external parameters used for indexation (inflation, etc);
- (k) other information: This shall include any other details considered appropriate by the distribution licensee for consideration during determination of tariff; and
- (l) the filings in addition to the control period data, shall also contain the data for the cost and revenue parameters for the last three years.

37. Annual Performance Review (APR) during the control period

- (1) The distribution licensee shall file an application for approval of wheeling tariff and retail supply tariff for each year of the control period, not less than 120 days before the commencement of the first year or subsequent year of the control period or such other date as may be directed by the Commission.
- (2) The wheeling tariff shall be determined for each year of the control period at the beginning of the control period. The licensee shall propose energy based wheeling tariff. The licensee shall also indicate the distribution losses voltages wise to provide for adjustment of losses in the system.
- (3) The filings for wheeling tariff shall contain the following: -
 - (a) the distribution system or network usage forecast for each year of the control period, consistent with the business plan;

- (b) proposals for computation of tariffs for wheeling of electricity for each of the years of the control period, including the losses and the procedure thereof;
 - (c) proposals for non-tariff income, with item-wise description and details;
 - (d) proposals in respect of income from other businesses like consultancy services, convergence, training facilities, etc;
 - (e) proposed wheeling tariff (voltage-wise);
 - (f) expected revenue from the proposed wheeling tariff, including additional surcharge etc.
- (4) The filings for retail supply tariff shall contain the following: -
 - (a) the licensee's proposal for retail sale of electricity for the consumer pertaining to retail supply business, which shall include energy sales, tariffs for each consumer category, slab-wise and voltage-wise. The proposed tariff may also be based on energy charges, demand charges, minimum charges, etc along with the tariff rationalization measures;
 - (b) proposal for power procurement quantum based upon energy sales and distribution losses, cost of power purchase, transmission and load despatch charges etc;
 - (c) proposals for non-tariff income with item-wise description and details;
 - (d) proposals in respect of income from other businesses like consultancy services, convergence, training facilities, etc;
 - (e) expected revenue from the proposed retail supply tariff, and other matters considered appropriate by the distribution licensee, including incentive schemes to consumers, cross-subsidy surcharge, etc.
- (5) Each tariff proposal submitted by the distribution licensee shall –
 - (a) be supported with the principles of cost-of-service model allocating the costs of the licensed business to each category of consumers based on voltage-wise costs and losses, and
 - (b) demonstrate that the tariffs are progressively reflecting the cost of supply.
- (6) The licensee shall furnish to the Commission, such additional information, particulars and documents as the Commission may require from time to time after such filing of revenue calculations and tariff proposals.
- (7) The licensee shall publish, for the information of the public, the contents of the application in an abridged form in such manner as the Commission may direct and shall host the complete copy of the filing on its website and shall also provide copies of the documents filed with the Commission to any person at a price not exceeding normal photocopying charges.

38. Review during the control period

- (1) The distribution licensee shall submit information as part of annual review on actual performance vis-à-vis performance targets approved by the Commission at the beginning of the control period.
- (2) The distribution licensee shall submit the revised ARR and corresponding tariff adjustments 120 days before the commencement of the financial year. The revised estimates shall be required because of trued-up costs on account of uncontrollable variations, profit sharing mechanism for exceeding the targets, and implementation of performance framework for quality of supply targets.

39. Review at the end of the control period

- (1) Towards the end of the control period, the Commission shall review if the implementation of the principles laid down in these regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and the licensee's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the next control period.
- (2) The end of the control period shall be the beginning of the next control period and the licensee shall follow the same procedure, unless required otherwise by the Commission. The Commission shall analyse the performance of the licensee with respect to the targets set out at the beginning of the control period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next control period.

40. Disposal of Application

- (1) The Commission shall process the filings made by the distribution licensee in accordance with these regulations and the Conduct of Business Regulations.
- (2) Based on the distribution licensees' filings, objections/suggestions from public and other stakeholders, the Commission may, within 120 days of the receipt of the application, complete in all respects, and after considering all suggestions and objections from public and other stakeholders, -
 - (a) issue a tariff order with such modifications and/or such conditions, as may be deemed just and appropriate, containing inter alia targets for controllable items and the approved ARR for the wheeling business and the ARR for the retail supply business alongwith the wheeling charges and retail supply tariff for each year of the control period; or
 - (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force.

41. Publication

The distribution licensee shall publish the tariff approved by the Commission in the newspapers, having circulation in the area of supply, as the Commission may direct. The

publication shall, besides such other things as the Commission may require, include a general description of the tariff changes and its effect on the classes of the consumers.

PART –V

SUBSIDY

42. Subsidy from the State Government

- (1) The State Government may, at any time as it considers to be appropriate, propose any subsidy to any class or classes of consumers in the tariff determined by the Commission and upon receiving such proposal, the Commission shall determine the amount to be paid as subsidy and the terms and conditions of such payment including the manner of payment of subsidy amounts by the State Government to the person affected by the decision of the subsidy.
- (2) While determining the tariff, the Commission shall take into account any subsidies, which the State Government had agreed to give to any class or classes of consumers.
- (3) The tariff determined by the Commission shall be published duly taking into account such subsidy offered by the State Government as on the date of the decision of the Commission.
- (4) Notwithstanding anything contained in these regulations, no direction of the State Government shall be operative if the payment is not made by the State Government in accordance with the provisions of section 65 of the act. In the event of such directions being not operative the amount of subsidy to be made by the State Government shall be added in the tariff to be charged by the licensee to the concerned class or classes of consumers.
- (5) The consequential orders which the Commission may issue to give effect to the subsidy that the State Government may provide shall not be construed as amendment of tariff notified. The licensee shall, however, give appropriate adjustments in the bills to be raised on the consumers for the subsidy amount in the manner the Commission may direct.
- (6) The bills to the consumers shall distinctively display the per unit cost of supply of electricity to the class of consumer as determined by the Commission, the subsidy, if any, given by the State Government applicable to such class of consumers and per unit amount of such subsidy, the bill amount payable by the consumer and the cross subsidization of the class of the consumer in the tariff made applicable without taking into account of subsidy from the State Government.
- (7) The licensee shall be required to furnish documents to the satisfaction of the Commission that the subsidy amount received by the licensee from the State Government is duly accounted for and utilized for the purpose for which the subsidy is given.

PART-VI

MISCELLANEOUS

- 43. Transitory provisions:** Notwithstanding anything to the contrary contained in these regulations-

- (a) the tariff order issued by the Commission for the control period ending on the 31st March, 2011 shall continue to operate; and
- (b) the proceedings (including review petition) for amendments, revocation, variation or alteration of the said tariff order shall continue to be filed and dealt with as if the repealed regulations in respect of the said tariff determination continue to be in-force, and the provisions of these regulations shall not apply.

44. Issue of Orders and Practice Directions

- (1) Subject to the provision of the Act and these regulations, the Commission may, from time to time, issue orders and practice directions, prescribe formats in regard to the implementation of these regulations and procedure to be followed on various matters, which the Commission has been empowered by these regulations to direct, and matters incidental or ancillary thereto.
- (2) Notwithstanding anything contained in these regulations, the Commission shall have the authority, either suo motu or on a petition filed by any interested or affected person, to determine the tariff of any licensee.

45. Power to remove difficulties

In case of any difficulty in giving effect to any of the provisions of these regulations, the Commission may, either suo motu or on an application made to it, do or undertake to do things, or by general or special order direct the licensee to take suitable action, not being inconsistent with the Act, which appears to the Commission to be necessary or expedient for the purpose of removing the difficulty.

46. Power of relaxation

The Commission may, in public interest and for reasons to be recorded in writing, relax any of the provisions of these regulations.

47. Interpretation

All issues arising in relation to the interpretation of these regulations shall be determined by the Commission and the decision of the Commission on such issues shall be final.

48. Saving of Inherent Powers of the Commission

Nothing contained in these regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these regulations.

49. Enquiry and Investigation

All enquiries, investigations and adjudications under these regulations shall be done by the Commission in accordance with the provisions of the Conduct of Business regulations.

50. Repeal and Savings

- (1) The Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 are hereby repealed.
- (2) Notwithstanding such repeal-
 - (a) anything done or any action taken or purported to have been done or taken under the repealed regulations shall, in so far as it is not inconsistent with the provisions of these regulations, be deemed to have been done or taken under the corresponding provisions of these regulations;
 - (b) the provisions concerning the tariff order made for the control period ending on the 31st March, 2011 and the provisions for conduct of the proceedings (including review petitions) for its revocations, variation or alternation as, stood before such repeal, shall continue to be in-force.

By Order of the Commission,
Sd/-,
Secretary.

Appendix: Depreciation Schedule (see regulation 23)

Sl. No.	Asset Class	Useful Life Infinity	Rate (%)
1.	Land owned under full title	Infinity	0
2.	Land held under lease		
(A)	For investment in land	Period of lease or the period remaining unexpired on the assignment of the lease	0
(B)	For cost of clearing site	Period of lease remaining unexpired at the date of clearing the site	0
3.	Assets Purchased New		
(A)	Buildings and civil engineering works of a permanent character, not mentioned above:		
(i)	Offices & showrooms	50	1.80
(ii)	Temporary erection such as wooden structures	5	18.00
(iii)	Roads other than kutcha roads	50	1.80
(iv)	Others	50	1.80
(B)	Transformers, transformer (kiosk) substation equipment & other fixed apparatus(including plant foundations)		
(i)	Transformers (including foundations) having a rating of 100 kilo volt amperes and over	25	3.60

Sl. No.	Asset Class	Useful Life Infinity	Rate (%)
(ii)	Others	25	3.60
(C)	Switchgear, including cable connections	25	3.60
(D)	Lightning arrestors:		
(i)	Station type	25	3.60
(ii)	Pole type	15	6.00
(iii)	Synchronous condenser	35	2.57
(E)	Batteries	5	18.00
(F)	Underground cable including joint boxes and disconnected boxes	35	2.57
(G)	Cable duct system	50	1.80
(H)	Overhead lines including supports:		
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	35	2.57
(ii)	Lines on steel supports operating at nominal voltages higher than 11 kV but not exceeding 66 kV	25	3.60
(iii)	Lines on steel or reinforced concrete supports	25	3.60
(iv)	Lines on treated wood supports	25	3.60
(I)	Meters		
	Electro Mechanical	15	6.00
	Electronic	10	9.00
(J)	Self propelled vehicles	5	18.00
(K)	Air conditioning plants:		
(i)	Static	15	6.00
(ii)	Portable	5	18.00
(L)			
(i)	Office furniture and fittings	15	6.00
(ii)	Office equipments	15	6.00
(iii)	Internal wirings including fittings and apparatus	15	6.00
(iv)	Street Light fittings	15	6.00
(M)	Apparatus let on hire:		
(i)	Other than motors	5	18.00
(ii)	Motors	15	6.00
(N)	Communication equipment		
(i)	Radio and higher frequency carrier systems	15	6.00
(ii)	Telephone lines and telephones	15	6.00
(O)	Assets purchased in second hand and assets not otherwise provided for in the schedule	such reasonable period as the Commission determines in each case having regard to the nature, age and conditions of assets at the time of its acquisition by the owner	

HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA**NOTIFICATION**

Shimla, the 1st April, 2011

No. HPERC/Gen/479.— Whereas section 61 of the Electricity Act, 2003 (36 of 2003), provides that the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to generating companies and also by the National Tariff Policy formulated under the said Act;

And Whereas the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2007;

And Whereas the Central Commission has subsequently framed Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 specifying the principles and methodologies to be followed for determination of tariff applicable to generating companies and various changes have also been made in the National Tariff Policy;

And Whereas the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the tariff for generating companies for the next control period starting from 1st April, 2011 and keeping in view the changes in National Tariff Policy and the methodologies of Central Commission, amongst others it has become necessary to amend/modify the existing regulations;

Now, therefore, in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of section 181 read with sections 61, 62 and 86, of the of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following regulations for determination of generation tariff:—

REGULATIONS**PART-I****PRELIMINARY****1. Short title, extent and commencement**

- (1) These regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011.
- (2) These regulations shall extend to the whole of the State of Himachal Pradesh.
- (3) These regulations shall come into force with effect from 1st April, 2011.

2. Scope and application

- (1) These regulations shall apply in all cases where tariff for a generating station or a unit thereof is to be determined by the Commission under section 62 of the Act, read with section 86 thereof. .

- (2) Where a power purchase agreement has been executed between the generating company and the utility before existence of the Commission, the Commission shall determine such tariff in accordance with the terms and conditions of such power purchase agreement.
- (3) Where a power purchase agreement has been executed between the generating company and the utility after existence of the Commission and the power purchase agreement has been approved by the Commission, the Commission shall determine such tariff in accordance with the terms and conditions of such approved power purchase agreement.
- (4) Where tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government, the Commission shall adopt such tariff in accordance with the provisions of the Act.

3. Definitions:

In these regulations, unless the context otherwise requires, —

- (1) “**Act**” means the Electricity Act, 2003 (36 of 2003);
- (2) “**additional capitalisation**” means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project and admitted by the Commission after prudence check, subject to the provisions of regulation 13;
- (3) “**Appendix**” means the appendix to these regulations;
- (4) “**applicant**” means a generating company who has made an application for determination of tariff or an application for annual performance review in accordance with the Act and under these regulations and includes a generating company whose tariff is the subject of a review by the Commission either suo motu or on a petition filed by any interested or affected person or as part of an annual performance review;
- (5) “**auxiliary energy consumption**” or “**AUX**” in relation to a period means the quantum of energy consumed by auxiliary equipment of the generating station, and transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station;
- (6) “**base year**” means the financial year immediately preceding the first year of the control period;
- (7) “**beneficiary**” in relation to a generating station means the person purchasing electricity generated at such a generating station whose tariff is determined under these regulations;
- (8) “**capital cost**” means the capital cost as defined in regulation 11;
- (9) “**Central Commission**” means the Central Electricity Regulatory Commission as referred to in sub- section (1) of section 76 of the Act;
- (10) “**change in law**” means occurrence of any of the following events:—

- (a) the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of any law, or
- (b) change in interpretation of any law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation, or
- (c) change by any competent statutory authority, in any consent, approval or licence available or obtained for the project;
- (11) “**Commission**” means the Himachal Pradesh Electricity Regulatory Commission as referred to in sub- section (1) of section 82 of the Act;
- (12) “**Conduct of Business Regulations**” means the Conduct of Business Regulations pecified by the Commission under sub-section (1) of section 92 of Act;
- (13) “**control period**” means a multi-year period fixed, by the Commission, from time to time, for which the principles of determination of revenue requirement and tariff will be laid down;
- (14) “**cut-off date**” means 31st March of the year closing after two years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of a year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation;
- (15) “**date of commercial operation**” or “**COD**” means in relation to a unit of hydro generating station, the date declared by the generating company from 0000 hour of which, after notice to the beneficiaries, scheduling process in accordance with the Indian Electricity Grid Code and/or the Himachal Pradesh Electricity Grid Code is fully implemented, and in relation to the generating station as a whole, the date declared by the generating company after demonstrating peaking capability corresponding to installed capacity of the generating station through a successful trial run, after notice to the beneficiaries.

Note-

1. In case the hydro generating station, with pondage or storage, is not able to demonstrate peaking capability corresponding to the installed capacity for the reasons of insufficient reservoir or pond level, the date of commercial operation of the last unit of the generating station shall be considered as the date of commercial operation of the generating station as a whole, provided that it will be mandatory for such hydro generating station to demonstrate peaking capability equivalent to the installed capacity of the generating unit or the generating station as and when such reservoir /pond level is achieved.
 2. In case of purely run-of-river hydro generating station if the unit or the generating station is declared under commercial operation during lean inflows period when the water is not sufficient for such demonstration, it shall be mandatory for such hydro generating station or unit to demonstrate peaking capability equivalent to the installed capacity as and when sufficient inflow is available.
- (16) “**day**” means the 24 hour period starting at 0000 hour;

- (17) **“declared capacity” or “DC”** in relation to a generating station means, the capability to deliver ex-bus electricity in MW declared by such generating station in relation to any time-block of the day or whole of the day, duly taking into account the availability of water, and subject to further qualification in the relevant regulation;
- (18) **“design energy”** means the quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the hydro generating station;
- (19) **“existing station”** means a hydro generating station declared under commercial operation from a date prior to 01.04.2011;
- (20) **“existing project”** means a project declared under commercial operation from a date prior to 01.04.2011;
- (21) **“financial year”** means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (22) **“infirm power”** means electricity generated prior to commercial operation of the unit of a hydro generating station;
- (23) **“installed capacity” or “IC”** means the summation of the name plate capacities of all the units of the generating station or the capacity of the generating station (reckoned at the generator terminals) as approved by the Commission from time to time;
- (24) **“new station”** means a hydro generating station declared under commercial operation on or after 01.04.2011;
- (25) **“Normative Annual Plant Availability Factor” or “NAPAF”** in relation to a generating station means the availability factor specified in clause (a) of subregulation (1) of regulation 23 for hydro generating station;
- (26) **“original project cost”** means the capital expenditure incurred by the generating company within the original scope of the project up to the cut-off date as admitted by the Commission;
- (27) **“Plant Availability Factor (PAF)”** in relation to a generating station for any period means the average of the daily declared capacities (DCs) for all the days during that period expressed as a percentage of the installed capacity in MW reduced by the normative auxiliary energy consumption;
- (28) **“project”** means a hydro generating station and includes the complete hydro power generating facility covering all components such as dam, intake, water conductor system, power generating station and generating units of the scheme as apportioned to power generation;
- (29) **“run-of-river power station”** means a hydro electric power generating station which does not have upstream pondage;
- (30) **“run-of-river power station with pondage”** means a hydro electric power generating station with sufficient pondage for meeting the diurnal variation in power demand;

- (31) **“scheduled energy”** means the quantum of energy scheduled by the State Load Despatch Centre to be injected into the grid by a generating station over a day;
- (32) **“scheduled generation”** or **“SG”** at any time or for any period or time-block means schedule of generation in MW or MWh ex-bus, given by the concerned Load Despatch Centre;
- (33) **“storage type power station”** means a hydro electric power generating station associated with large storage capacity to enable variation of generation of power according to demand;
- (34) **“State”** means the State of Himachal Pradesh;
- (35) **“unit”** in relation to a hydro generating station means turbine-generator and its auxiliaries;
- (36) **“useful life”** in relation to a unit of a hydro generating station shall be 40 years from the COD;
- (37) **“year”** means a financial year; and
- (38) the words and expressions used in these regulations and not defined herein but defined in the Act shall have the meanings respectively assigned to them in the Act.

PART-II

GUIDING PRINCIPLES

4. General Approach:

- (1) Tariff determined by the Commission and the directions given in the tariff order made by the Commission shall be quid pro quo and mutually inclusive. The tariff determined shall, within the period specified by it, be subject to the compliance of the directions to the satisfaction of the Commission and their non-compliance shall lead to such amendment, revocation, variations and alterations of the tariff, as may be ordered by the Commission.
- (2) The tariff order shall, unless amended or revoked, continue to be in force for such period as may be specified in the tariff order. In the event of failure on the part of the generating company to file the aggregate revenue requirement (ARR) under Part-V, the tariff determined by the Commission shall cease to operate, unless allowed to be continued for a further period with such variations or modifications, as may be ordered by the Commission.

5. Multi Year Tariff (MYT) Framework

- (1) The Commission shall adopt multi year tariff framework for determination of tariff for each year of the control period.
- (2) The multi year tariff framework shall be based on the following: -

- (a) **Business plan** (with plant-wise details) for the entire control period, which the applicant shall submit to the Commission for approval, prior to the beginning of the control period;
- (b) **Forecast of expected tariff for sale of power** which shall be submitted by the generating company (plant-wise) for each year of the control period, based on reasonable assumptions of the underlying financial and operational parameters, as submitted in the business plan;
- (c) **Trajectory for specific parameters**, stipulated by the Commission, where the performance of the applicant is sought to be improved through incentives and disincentives;

6. Determination of Baseline

- (1) The baseline values (operating and cost parameters) for the control period shall be determined by the Commission, based on previously approved values, the latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission.
- (2) The Commission shall normally not revisit the performance targets even if the targets are fixed on the basis of un-audited accounts.

7. Capital Investment

Subject to the provisions of the Act, and the rules and policies made thereunder, the Commission shall approve the capital investment plan of a generating company for the control period commensurate with generation capacity growth. The investment plan shall also include a capitalisation schedule and financing plan for the planned investment. Adjustment for the actual capital investment vis-à-vis approved capital investment shall be done at the end of the control period.

8. Performance Targets

- (1) The Commission shall set targets for each year of the control period for the items or parameters that are deemed to be “controllable” and which will include-
 - (a) Normative Annual Plant Availability Factor;
 - (b) Auxiliary energy consumption;
 - (c) Operation and Maintenance Expenses which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;
 - (d) Financing cost which includes cost of debt including working capital (interest), cost of equity (return); and
 - (e) Depreciation.
- (2) The Commission will normally not revisit the performance targets, once determined even if the targets are fixed on the basis of un-audited accounts.

9. True Up

- (1) The true up across various controllable parameters shall be conducted as per principles stated below: -
 - (a) any surplus and deficit on account of O&M expenses shall be to the account of the generating company and shall not be trued up in ARR; and
 - (b) at the end of the control period –
 - (i) the Commission shall review actual capital investment vis-à-vis approved capital investment;
 - (ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission.
- (2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of *force majeure* factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.

10. Refund of excess amount

If a generating company recovers the charges exceeding the tariff determined by the Commission, the excess amount shall be refunded to beneficiaries, who have paid such excess charges, alongwith interest equal to the prevalent Short Term Prime Lending Rate of the State Bank of India, without prejudice to any other liability incurred by such licensee.

PART-III

PRINCIPLES FOR DETERMINATION OF HYDRO GENERATION TARIFF

11. Capital cost of project

- (1) Capital cost for a project shall include-
 - (a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check;
 - (b) capitalised initial spares subject to the ceiling norms as per regulation 12;
 - (c) additional capital expenditure determined under regulation 13:

Provided that the assets forming part of the project, but not in use, shall be taken out of the capital cost.

- (2) The capital cost admitted by the Commission, after prudence check, shall form the basis for determination of tariff:

Provided that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff:

Provided further that the Commission may issue guidelines for vetting of capital cost of hydro-electric projects by independent agency or expert and in that event the capital cost as vetted by such agency or expert may also be considered by the Commission while determining the tariff for the hydro generating station:

Provided further that the Commission may issue guidelines for scrutiny and approval of commissioning schedule of the hydro-electric projects of a developer (not being a State controlled or owned company) as envisaged in the tariff policy:

Provided further that in case the site of a hydro generating station is awarded to a developer (not being a State controlled or owned company) by the State Government, by following a two stage transparent process of bidding, any expenditure incurred or committed to be incurred by the project developer for getting the project site allotted shall not be included in the capital cost:

Provided further that the capital cost in case of such hydro generating station shall include -

- (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with R&R Policy and R&R package as approved by the State Government; and
- (b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) project in the affected area:

Provided further that where the power purchase agreement entered into between the generating company and the beneficiaries provide for ceiling of actual expenditure, the capital expenditure admitted by the Commission shall take into consideration such ceiling for determination of tariff:

Provided further that in case of the existing projects, the capital cost admitted by the Commission prior to 01.04.2011 and the additional capital expenditure projected to be incurred for the respective years of the control period, as may be admitted by the Commission, shall form the basis for determination of tariff.

12. Initial Spares

For hydro generating stations, initial spares shall be capitalised as a percentage of the original project cost, subject to the ceiling norm of 1.5%:

Provided that the Commission, may for sufficient reasons to be recorded in writing, after exercising due diligence and applying prudence check, deviate from the above ceiling norm.

13. Additional Capitalisation

(1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date, may be admitted by the Commission, subject to prudence check,:-

- (a) Undischarged liabilities;
- (b) Works deferred for execution;
- (c) Procurement of initial capital spares within the original scope of work, subject to the provisions of regulation 12;
- (d) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (e) Change in law:

Provided that the details of works included in the original scope of work, along with estimates of expenditure, undischarged liabilities and the works deferred for execution, shall be submitted along with the application for determination of tariff.

(2) The capital expenditure incurred on the following counts after the cut off date may, in its discretion, be admitted by the Commission, subject to prudence check,:-

- (a) liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- (b) change in law;
- (c) any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation:

Provided that in any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalisation for determination of tariff w.e.f. 1.4.2011.

14. Renovation and Modernisation

(1) The generating company for meeting the expenditure on renovation and modernization for the purpose of extension of life beyond the useful life of the generating station or a unit thereof shall make an application before the Commission

for approval of the proposal with a Detailed Project Report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, record of consultation with beneficiaries and any other information considered to be relevant by the generating company.

- (2) Where the generating company makes an application for approval of its proposal for renovation and modernisation, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.
- (3) Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the estimates of renovation and modernisation expenditure and life extension, and after deducting the accumulated depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

15. Sale of Infirm Power

Supply of infirm power shall be accounted as Unscheduled Interchange (UI) and paid for from the regional or State UI pool account at the applicable frequency-linked UI rate:

Provided that any revenue earned by the generating company from sale of infirm power shall be applied for reduction in capital cost.

16. Debt-Equity Ratio

(1) Existing Stations:

- (a) For existing generating stations the amount of loan capital shall be equal to the sum of the outstanding balance of all long term loans taken to finance the generating station, at the commencement of the financial year for which tariff is to be determined, as reflected in the tariff orders of the Commission.
- (b) The equity capital shall be taken as specified by the generating company, subject to prudence check by the Commission.
- (c) Any fresh infusion of capital in the existing generating stations shall be considered only after prior approval by the Commission, and would have a debt-equity ratio of 70:30.

(2) New Stations:

- (a) For new stations, the normative debt-equity ratio shall be considered to be 70:30 for determination of tariff.
- (b) In case of a generating station where equity employed is more than 30%, the amount of equity for determination of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan.

- (c) In case of a generating station where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff:

Provided that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

(3) Renovation and Modernisation:

Any approved capital expenditure incurred on renovation, modernisation, replacement or extension of life of existing generating assets shall be considered to be financed at a normative debt-equity ratio of 70:30. In case the amount of equity is less than 30%, the actual debt-equity ratio shall be considered.

- (4) The debt and equity amounts arrived at in accordance this regulation shall be used for calculating interest on loan, return on equity, advance against depreciation and foreign exchange rate variation.

17. Interest and Finance Charges

- (1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment in accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.
- (2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station, does not have actual loan, then the weighted average rate of interest of the generating company as a whole shall be considered.

- (3) The interest rate on the amount of equity in excess of 30% treated as notional loan shall be the weighted average rate of the loans of the respective years and shall be further limited to the rate of return on equity specified in these regulations:

Provided that all loans considered for this purpose shall be identified with the assets created:

Provided further that the interest and finance charges of re-negotiated loan agreements shall not be considered, if they result in higher charges:

Provided further that the interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost:

Provided further that neither penal interest nor overdue interest shall be allowed for computation of tariff.

- (4) In case any moratorium period is availed of in any loan, depreciation provided for in the tariff during the years of moratorium shall be treated, as notional repayment of loan during those years and interest on loan capital shall be calculated accordingly.
- (5) The generating station shall make every effort to refinance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such refinancing shall be borne by the beneficiaries and any benefit on account of refinancing of loan and interest on loan shall be passed on to the beneficiaries. Refinancing may also include restructuring of debt.
- (6) In respect of foreign currency loans, variation in rupee liability due to foreign exchange rate variation, towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of such foreign exchange rate variation and is not attributable to the generating company or its suppliers or contractors.

18. Working Capital

The Commission shall calculate the working capital requirement for hydro electric power stations containing the following components: -

- (a) Operation & Maintenance (O&M) expenses for 1 month;
- (b) maintenance spares equivalent to 15% of O&M specified in regulations 22;
- (c) receivables equivalent to two months of fixed cost.

19. Interest on Working Capital

Rate of interest on working capital shall be on normative basis and shall be equal to the Short-Term Prime Lending Rate of the State Bank of India as on 1st April of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the generating station has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.

20. Depreciation

- (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.
- (2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.

- (3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

- (4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in the Appendix to these regulations for the assets of the generating station:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.

- (5) For generating station which are in operation for less than 12 years, the difference between the cumulative depreciation recovered and the cumulative depreciation arrived at by applying the depreciation rates specified in this regulation corresponding to 12 years, shall be spread over the period up to 12 years, and the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.
- (6) For the project in operation for more than 12 years, the balance depreciation to be recovered shall be spread over the remaining useful life of the asset.
- (7) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on *pro rata* basis.

21. Return on Equity

- (1) Return on equity shall be computed on the equity determined in accordance with regulation 16 and on pre-tax basis at the base rate of 15.5% to be grossed up as per sub-regulation (3) of this regulation:
- (2) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2010-11 applicable to the concerned generating company:

Provided that return on equity with respect to the actual tax rate applicable to the generating company in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

- (3) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below-
- (a) Rate of pre-tax return on equity = Base rate / (1-t)
- (b) Where t is the applicable tax rate in accordance with sub-regulation (2) of this regulation.

Illustration:-

- (i) In case of the generating company paying Minimum Alternate Tax (MAT) @ 19.93% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.1993) = 19.358\%$$

- (ii) In case of generating company paying normal corporate tax @ 33.22% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.3399) = 23.481\%$$

22. Operation and Maintenance (O&M) Expenses

- (1) Operation and Maintenance (O&M) expenses shall comprise of the following:-
 - (a) salaries, wages, pension contribution and other employee costs;
 - (b) administrative and general costs;
 - (c) repairs and maintenance; and
 - (d) other miscellaneous expenses including insurance costs, statutory levies and taxes (except corporate income tax).
- (2) Operation and maintenance expenses, for the existing generating stations which have been in operation for 3 years or more in the base year of 2010-11, shall be derived on the basis of actual operation and maintenance expenses for the years 2007-08 to 2009-10, based on the audited balance sheets, excluding abnormal operation and maintenance expenses, if any, after prudence check by the Commission
- (3) The normalised operation and maintenance expenses after prudence check, for the years 2007-08 to 2009-10, shall be escalated @ 8.32% to arrive at the normalized operation and maintenance expenses at the 2009-10 price level respectively and then averaged to arrive at normalised average operation and maintenance expenses for the 2007-08 to 2009-10 at 2009-10 price level. The average normalized operation and maintenance expenses for year 2009-10 shall be escalated by 8.32% to arrive at the normalized operation and maintenance of base year 2010-11. The normalized operation and maintenance expenses or the actual operation and maintenance expenses for the base year 2010-11, whichever is lower shall be escalated at the rate of 8.32% to arrive at the operation and maintenance expenses for year 2011-12.
- (4) The operation and maintenance expenses for the year 2011-12 shall be escalated further at the rate of 8.32% per annum to arrive at permissible operation and maintenance expenses for the subsequent years of the control period.
- (5) In case of the hydro generating stations, which have not been in commercial operation for a period of three years as on 1.4.2011, operation and maintenance expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be escalated at the rate of 8.32% per annum from the subsequent year to arrive at operation and maintenance expenses for the base year 2010-11. The base operation and maintenance expenses shall be further escalated at the rate of 8.32% per annum to arrive at permissible operation and maintenance expenses for the respective year of the tariff period.
- (6) In case of the hydro generating stations declared under commercial operation on or after 1.4.2011, operation and maintenance expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation of 8.32% per annum for the subsequent years.
- (7) Of the O&M expenses so determined based on the above regulations, at least 30% shall be spent towards repair and maintenance activities.

PART-IV**NORMS OF OPERATION****23. Operational Norms**

(1) The norms of operation for hydro generating stations shall be as under-

(a) **Normative Annual Plant Availability Factor (NAPAF)** for hydro generating stations shall be determined by the Commission as per the following criteria:-

- (i) storage and pondage type plants with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 8%, and where plant availability is not affected by silt : 90%
- (ii) storage and pondage type plants with head variation between FRL and MDDL of more than 8%, where plant availability is not affected by silt: Plant-specific allowance to be provided in NAPAF for reduction in MW output capability as reservoir level falls over the months. As a general guideline the allowance on this account in terms of a multiplying factor may be worked out from the projection of annual average of net head, applying the formula:

$$(\text{Average head} / \text{Rated head}) + 0.02$$

Alternatively in case of a difficulty in making such projection, the multiplying factor may be determined as:

$$(\text{Head at MDDL}/\text{Rated head}) \times 0.5 + 0.52$$

- (iii) pondage type plants where plant availability is significantly affected by silt : 85%
- (iv) run-of-river type plants: NAPAF to be determined plant-wise, based on 10-day design energy data, moderated by past experience where available/relevant;

(b) **Auxiliary Energy Consumption:**

Surface hydro electric power generating station	With rotating exciters mounted on the generator shaft	0.7%
	With static excitation system	1%
Underground hydro electric power generating station	With rotating exciters mounted on the generator shaft	0.9%
	With static excitation system	1.2%

Provided that the Commission, may for sufficient reasons to be recorded in writing, after exercising due diligence and applying prudence check, deviate from the above ceiling norm.

(2) A further allowance may be made by the Commission in NAPAF determination under special circumstances, e.g. abnormal silt problem or other operating conditions, and known plant limitations.

- (3) In case of a new hydro electric project the developer shall have the option of approaching the Commission in advance for fixation of NAPAF based on the principles enumerated in clause (a) of sub-regulation (1) of this regulation.
- (4) The Commission may lay down relaxed operational norms including the norms of NAPAF and auxiliary consumption contained in these regulations for a generating station, and these relaxed norms shall be applicable for determination of tariff for such generating station during the control period.
- (5) The norms of operation under these regulations shall be ceiling norms and shall not preclude generating companies and the beneficiaries from agreeing to improve norms of the operation. If the PPA stipulates better norms of operation then such norms provided in the PPA shall be considered.
- (6) In case of renovation and modernisation, de-rating or re-rating of the generating station, norms of operation shall be reviewed and modified accordingly.

24. Computation of Tariff

The tariff for supply of electricity from a hydro generating station shall comprise capacity charge and energy charge to be derived in the manner specified in regulation 26, for recovery of annual fixed cost (consisting of the components referred to in regulation 25) through the two charges.

25. Annual Fixed Cost

The annual fixed cost (AFC) of a generating station shall consist of the following components:-

- (a) Return on equity;
- (b) Interest on loan capital;
- (c) Depreciation;
- (d) Interest on working capital;
- (e) Operation and maintenance expenses.

26. Computation of Capacity Charge and Energy Charge

- (1) The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, that is to say, in the capacity excluding the free power to the State:

Provided that during the period between the date of commercial operation of the first unit of the generating station and the date of commercial operation of the generating station, the annual fixed cost shall provisionally be worked out based on the latest estimate of the completion cost for the generating station, for the purpose of determining the capacity charge and energy charge payment during such period.

- (2) The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be -

$$AFC \times 0.5 \times NDM / NDY \times (PAFM / NAPAF) \text{ (in Rupees)}$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NAPAF = Normative plant availability factor in percentage

NDM = Number of days in the month

NDY = Number of days in the year

PAFM = Plant availability factor achieved during the month, in percentage

- (3) The PAFM shall be computed in accordance with the following formula:-

$$PAFM = 10000 \times \sum_{i=1}^N DC_i \times \{N \times IC \times (100 - AUX)\} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage

DC_i = Declared capacity (in ex-bus MW) for the ith day of the month which the station can deliver for at least three (3) hours, as certified by the State Load Dispatch Centre after the day is over.

IC = Installed capacity (in MW) of the complete generating station

N = Number of days in the month.

- (4) The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex power plant basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be -

$$(\text{Energy charge rate in Rs. /kWh}) \times \{\text{Scheduled energy (ex-bus) for the month in kWh}\} \times (100 - FEHS) / 100.$$

- (5) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of sub-regulation (7):-

$$ECR = AFC \times 0.5 \times 10 / \{DE \times (100 - AUX) \times (100 - FEHS)\}$$

Where,

DE = Annual design energy specified for the hydro generating station, in MWh, subject to the provisions of sub-regulations (6)

FEHS = Free energy for State, in per cent, as defined in regulation 28.

- (6) In case actual total energy generated by a hydro generating station during a year is less than the design energy for reasons beyond the control of the generating company, the following treatment shall be applied, on a rolling basis, :-
- (a) in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the ECR for the year following the year of energy shortfall shall be computed based on the formula specified in sub-regulation (5) of this regulation with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the shortfall, till the energy charge shortfall of the previous year has been made up, after which normal ECR shall be applicable;
 - (b) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply:-
 - (i) Suppose the specified annual design energy for the station is DE MWh, and the actual energy generated during the concerned (first) and the following (second) financial years is A1 and A2 MWh respectively, A1 being less than DE. Then, the design energy to be considered in the formula in sub-regulation (5) of this regulation for calculating the ECR for the third financial year shall be moderated as $(A1 + A2 - DE)$ MWh, subject to a maximum of DE MWh and a minimum of A1 MWh;
 - (ii) Actual energy generated (e.g. A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by $100 / (100 - AUX)$.
- (7) In case the energy charge rate (ECR) for a hydro generating station, as computed in sub-regulation (5) of this regulation, exceeds eighty paise per kWh, and the actual saleable energy in a year exceeds $\{DE \times (100 - AUX) \times (100 - FEHS) / 10000\}$ MWh, the Energy charge for the energy in excess of the above shall be billed at eighty paise per kWh only:

Provided that in a year following a year in which total energy generated was less than the design energy for reasons beyond the control of the generating company, the energy charge rate shall be reduced to eighty paise per kWh after the energy charge shortfall of the previous year has been made up.

- (8) The State Load Despatch Centre shall finalise the schedules for the hydro generating stations, in consultation with the beneficiaries, for optimal utilization of all the energy declared to be available, which shall be scheduled for all beneficiaries in proportion to their respective allocations in the generating station.

27. Unscheduled Interchange (UI) Charges

The generating station may be entitled to receive or shall be required to bear, as the case may be, the charges for deviations between energy sent-out corresponding to scheduled generation and actual energy sent-out shall be accounted for through Unscheduled Interchange (UI) charges, as per the rate approved by the Appropriate Commission.

28. Billing and payment of charges

Bills shall be raised for capacity charge and energy charge on monthly basis by the generating company in accordance with these regulations, and payments shall be made by the beneficiaries directly to the generating company.

Note.-

FEHS = Free energy for State, in percent and shall be taken at actual subject to maximum of 13% in accordance with the National Hydro Policy

29. Late Payment Surcharge

In case the payment of any bill for charges payable under these regulations is delayed by a beneficiary beyond a period of 60 days from the date of billing a late payment surcharge at the rate of 1.25% per month shall be levied by the generating company.

30. Rebate

For payment of bills of the generating company through a letter of credit on presentation, a rebate of 2% shall be allowed. If the payment is made by any other mode but within a period of one month of presentation of bills by the generating company, a rebate of 1% shall be allowed.

31. Scheduling

The methodology for scheduling and dispatch for the generating station shall be as specified in the Himachal Pradesh Electricity Grid Code as amended from time to time.

32. Demonstration of Declared Capacity:

- (1) The generating company may be required to demonstrate the declared capacity of its generating station as and when asked by the State Load Despatch Centre (SLDC). In the event of the generating company failing to demonstrate the declared capacity, the capacity charges due to the generating company shall be reduced as a measure of penalty, the quantum of which shall be determined by the Commission.
- (2) The quantum of penalty for the first mis-declaration for any duration or block in a day shall be the charges corresponding to two days fixed charges. For the second mis-declaration the penalty shall be equivalent to fixed charges for four days and for subsequent mis-declarations, the penalty shall be multiplied in the geometrical progression.
- (3) The operating log books of the generating station shall be available for review by the State Load Despatch Centre (SLDC). These books shall keep record of machine operation and maintenance, reservoir level and spillway gate operation.

33. Metering and Accounting:

For metering and accounting, the provisions of the Himachal Pradesh Electricity Grid Code, as amended from time to time, shall be applicable.

34. Safety Standards

The generating company shall develop a safety manual and follow procedures to maintain minimum safety standards during construction, operation, etc. in line with the provisions of section 53 of the Act.

PART-V**MULTI YEAR TARIFF FILING PROCEDURE****35. Multi-Year Filings for the control period**

- (1) The multi year tariff filing shall be in such form and in such manner as may be laid down by the Commission by an order and also as per the provisions of the Conduct of Business Regulations.
- (2) The applicant shall also submit the multi year tariff filing in electronic format to the Commission.

36. Beginning of the control period - business plan filings

- (1) The generating company shall file for the Commission's approval, on 1st April of the year preceding the first year of the control period or any other date, as may be directed by the Commission, a business plan approved by its board of directors. The business plan shall be for the entire control period and shall, interalia, contain -
 - (a) **Capital Investment Plan:** This shall include details of the investments planned by the generating company, alongwith the corresponding capitalisation schedule and financing plan. This plan shall be commensurate with capacity enhancement and proposed efficiency improvements for various plants of the company;
 - (b) **Capital Structure:** The generating company shall submit plant-wise details of the capital structure and cost of financing (interest on debt and return on equity), after considering the existing market conditions, terms of the existing loan agreements, risks associated in generation business and creditworthiness;
 - (c) **Operation and Maintenance (O&M) expenses:** This shall include the costs estimated for the base year, the actual expenses incurred in the previous five years and the projected values for each year of the control period based on the proposed norms for O&M cost;
 - (d) **Depreciation:** This shall include details of depreciation based on the useful life of the asset and capitalisation schedules for each year of the control period;
 - (e) **Performance Targets:** A set of targets proposed for other controllable items such as auxiliary consumption, NAPAF. The targets shall be consistent with the capital investment plan proposed by the generating company;
 - (f) **Other Information:** This shall include any other details considered appropriate by the generating company for consideration during determination of tariff.

37. Tariff Filing

The applicant shall file the application for approval of generation tariff for each year of the control period consistent with the business plan, not less than 120 days before the commencement of the first year of the control period or such other date as may be directed by the Commission.

38. Review at the end of the control period

Towards the end of the control period, the Commission shall review if the implementation of the principles laid down in these regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and the applicant's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the next control period.

39. Disposal of Application

- (1) The Commission shall process the filings made by the generating company in accordance with these regulations and the Conduct of Business Regulations.
- (2) Based on the generating company's filings, objections/ suggestions from public and other stakeholders, the Commission may, within 120 days of the receipt of the application, complete in all respects, and after considering all suggestions and objections from public and other stakeholders,-
 - (a) issue a tariff order with such modifications and/or such conditions, as may be deemed just and appropriate containing, inter alia targets for controllable items and the generation tariffs for each year of the control period; or
 - (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force.

40. Periodic Reviews

- (1) To ensure smooth implementation of the multi year tariff (MYT) framework, the Commission may undertake periodic reviews of generating company's performance during the control period, to address any practical issues, concerns or unexpected outcomes that may arise.
- (2) The Commission may also direct any modifications to the forecast of the generating company for the remainder of the control period, with detailed reasons for the same.

41. Publication

The generating company shall publish the tariff approved by the Commission in the newspapers, having circulation in the area of supply, as the Commission may direct. The publication shall, besides such other things as the Commission may require, include a general description of the tariff changes.

PART-VI**MISCELLANEOUS****42. Sharing of Clean Development Mechanism (CDM) Benefits.**

- (1) The proceeds of carbon credit from approved CDM project shall be shared in the following manner, namely-

- (a) 100% of the gross proceeds on account of CDM to be retained by the project developer in the first year (12 months) after the date of commercial operation of the generating station;
- (b) in the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion, by the generating company and the beneficiaries.

43. Tax on Income

In view of pre tax return on equity, tax on the income streams of the generating company shall not be recovered from the beneficiaries: Provided that the deferred tax liability, excluding Fringe Benefit Tax, for the period up to 31st March, 2011 whenever it materialises, shall be recoverable directly from the beneficiaries and the long-term customers.

44. Foreign Exchange Rate Variation

- (1) The generating company may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station in part or full in the discretion of the generating company.
- (2) Every generating company shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- (3) To the extent the generating company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the generating company or its suppliers or contractors.
- (4) Every generating company shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

45. Recovery of cost of hedging Foreign Exchange Rate Variation

Recovery of cost of hedging and foreign exchange rate variation shall be made directly by the generating company from the beneficiaries without making any application before the Commission:

Provided that in case of any objections by the beneficiaries to the amounts claimed on account of cost of hedging or foreign exchange rate variation, the generating company makes an appropriate application before the Commission for its decision.

46. Transitory provisions: Notwithstanding anything to the contrary contained in these regulations –

- (a) the tariff order issued by the Commission for the control period ending on the 31st March, 2011 and shall continue to operate; and
- (b) the proceedings (including review petition) for amendments, revocation, variation or alteration of the said tariff order; shall continue to be filed and dealt with as if the repealed regulations in respect of the said tariff determination continue to be in-force, and the provisions of these regulations shall not apply.

47. Issue of Orders and Practice Directions

- (1) Subject to the provision of the Act and these regulations, the Commission may, from time to time, issue orders and practice directions, prescribe formats in regard to the implementation of these regulations and procedure to be followed on various matters, which the Commission has been empowered by these regulations to direct, and matters incidental or ancillary thereto.
- (2) Notwithstanding anything contained in these regulations, the Commission shall have the authority, either suo motu or on a petition filed by any interested or affected person, to determine the tariff of any applicant.

48. Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these regulations or the Act, do or undertake to do things or direct the generating company to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

49. Power of relaxation

The Commission may, in public interest and for reasons to be recorded in writing, relax any of the provisions of these regulations.

50. Interpretation

All issues arising in relation to the interpretation of these regulations shall be determined by the Commission and the decision of the Commission on such issues shall be final.

51. Saving of Inherent Powers of the Commission

Nothing contained in these regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these regulations.

52. Enquiry and Investigation

All enquiries, investigations and adjudications under these regulations shall be done by the Commission in accordance with the provisions of the Conduct of Business Regulations.

53. Repeal and Savings

- (1) The Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2007 are hereby repealed.
- (2) Notwithstanding such repeal-
 - (a) anything done or any action taken or purported to have been done or taken under the repealed regulations shall, in so far as it is not inconsistent with the provisions of these regulations, be deemed to have been done or taken under the corresponding provisions of these regulations;
 - (b) the provisions concerning the tariff order made for the control period ending on the 31st March, 2011 and the provisions for conduct of the proceedings (including review petitions) for its revocations, variation or alternation as, stood before such repeal, shall continue to be in-force.

By Order of the Commission,

Sd/-
Secretary

Appendix : Depreciation Schedule (see regulation 20)

No.	Asset Particulars	Depreciation Rate (Salvage Value=10%)
A	Land under full ownership	0.00%
B	Land under lease	
(a)	For investment in land	3.34%
(b)	For cost of clearing the site	3.34%
(c)	Land for reservoir in case of hydro generating station	3.34%
C	Assets purchased new	
(a)	Plant and Machinery in generating stations	
(i)	Hydro-electric	5.28%
(b)	Hydraulic works forming part of hydro-electric system including:	
(i)	Dams, spillways weirs, canals, reinforced concrete flumes & siphons	5.28%
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	5.28%
D	Buildings and civil engineering works of a permanent character, not mentioned above:	
(i)	Offices & showrooms	3.34%
(ii)	Containing hydro-electric generating plant	3.34%
(iii)	Temporary erection such as wooden structures	100.00%
(iv)	Roads other than kutcha roads	3.34%
(v)	Others	3.34%
E	Transformers, transformer (kiosk) sub-station equipment & other fixed apparatus (including plant foundations)	
(i)	Transformers (including foundations) having a rating of 100	5.28%

	kilo volt amperes and over	
(ii)	Others	5.28%
F	Switchgear, including cable connections	5.28%
G	Lightning arrestors:	5.28%
(i)	Station type	5.28%
(ii)	Pole type	5.28%
(iii)	Synchronous condenser	5.28%
H	Batteries	5.28%
(i)	Underground cable including joint boxes and disconnected boxes	5.28%
(ii)	Cable duct system	5.28%
I	Overhead lines including supports:	
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	5.28%
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kV but not exceeding 66 kV	5.28%
(iii)	Lines on steel or reinforced concrete supports	5.28%
(iv)	Lines on treated wood supports	5.28%
J	Meters	5.28%
K	Self propelled vehicles	9.50%
L	Air conditioning plants:	
(i)	Static	5.28%
(ii)	Portable	9.50%
M(i)	Office furniture and fittings	6.33%
(ii)	Office equipments	6.33%
(iii)	Internal wirings including fittings and apparatus	6.33%
(iv)	Street Light fittings	5.28%
N	Apparatus let on hire:	
(i)	Other than motors	9.50%
(ii)	Motors	6.33%
O	Communication equipment	
(i)	Radio and higher frequency carrier systems	6.33%
(ii)	Telephone lines and telephones	6.33%
P	I.T Equipment	15.00%
Q	Any other assets not covered above	5.28%

HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

NOTIFICATION

Shimla, the 1st April 2011

No. HPERC/Trans/479. - Whereas section 61 of the Electricity Act, 2003 (36 of 2003), provides that the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to transmission licensees and also by the National Tariff Policy formulated under the said Act;

And Whereas the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007;

And Whereas the Central Commission has subsequently framed the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, specifying the principles and methodologies to be followed for determination of tariff applicable to transmission systems of the licensee(s) and various changes have also been made in the National Tariff Policy;

And Whereas the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the tariff for transmission system of the licensees for the next control period starting from 1st April, 2011 and keeping in view the National Tariff Policy and methodologies of the Central Commission, amongst others, it has become necessary to amend/ modify the existing regulations;

Now, therefore, in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of section 181, read with sections 61, 62 and 86, of the of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following regulations for determination of transmission tariff:-

REGULATIONS

PART-I

PRELIMINARY

1. Short title, extent and commencement

- (1) These regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011.
- (2) These regulations shall extend to the whole of the State of Himachal Pradesh
- (3) These regulations shall come into force with effect from 1st April, 2011.

2. Scope and application

- (1) These regulations shall be applicable where the capital cost based tariff for the transmission system is determined by the Commission under section 62 of the Act, read with section 86 thereof.
- (2) Where tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government, the Commission shall adopt such tariff in accordance with the provisions of the Act.

3. Definitions:

In these regulations, unless the context otherwise requires, -

- (1) “**Act**” means the Electricity Act, 2003 (36 of 2003);
- (2) “**additional capitalisation**” means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project and admitted by the Commission after prudence check, subject to provisions of regulation 16;

- (3) **“aggregate revenue requirement”** or **“ARR”** means the costs pertaining to the licensed business which are permitted, in accordance with these regulations, to be recovered from the tariffs and charges determined by the Commission;
- (4) **“allotted transmission capacity”** means and includes the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a long-term customer on the intra-State transmission system under the normal circumstances and allotted transmission capacity to a long-term transmission customer shall be sum of the generating capacities allocated to the long-term transmission customer from the State generating stations and inter-State generating stations and the expression "allotment of capacity" shall be construed accordingly;
- (5) **“allocation statement”** means for each financial year, a statement in respect of each of the businesses (transmission and SLDC business) of the licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc, which has been either-
 - (a) determined by apportionment or allocation between different businesses of the licensee including the licensed business, together with a description of the basis of the apportionment or allocation, or
 - (b) charged from or to each such other business together with a description of the basis of that charge;
- (6) **“Appendix”** means the appendix to these regulations;
- (7) **“applicant”** means a transmission licensee who has made an application for determination of transmission charge in accordance with these regulations and includes a transmission licensee whose tariff is the subject of a review by the Commission;
- (8) **“availability”** in relation to a transmission system for a given period means the time in hours during that period in which the transmission system is capable to transmit electricity at its rated voltage and shall be expressed in percentage of total hours in the given period;
- (9) **“base year”** means the financial year immediately preceding first year of the control period and used for the purposes of these regulations;
- (10) **“beneficiary”** means a long term transmission customer;
- (11) **“capital cost”** means the capital cost as defined in regulation 14;
- (12) **“Central Commission”** means the Central Electricity Regulatory Commission, as referred to in sub- section (1) of section 76 of the Act;
- (13) **“change in law”** means occurrence of any of the following events:-
 - (a) the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of any law, or
 - (b) change in interpretation of any law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation, or

- (c) change by any competent statutory authority, in any consent, approval or licence available or obtained for the project;
- (14) “**Commission**” means the Himachal Pradesh Electricity Regulatory Commission, as referred to in sub- section (1) of section 82 of the Act;
- (15) “**Conduct of Business Regulations**” means the Conduct of Business Regulations specified by the Commission under sub-section (1) of section 92 of Act;
- (16) “**control period**” means a multi-year period fixed, by the Commission, from time to time, for which the principles of determination of revenue requirement and tariff will be laid down;
- (17) “**cut-off date**” means 31st March of the year closing after two years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of a year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation;
- (18) “**date of commercial operation**” or “**COD**” means the date declared by the transmission licensee from 0000 hour of which an element of the transmission system is in regular service after successful charging and trial operation:
- Provided that the date shall be the first day of a calendar month and transmission charge for the element shall be payable and its availability shall be accounted for, from that date:
- Provided further that in case an element of the transmission system is ready for regular service but is prevented from providing such service for reasons not attributable to the transmission licensee, its suppliers or contractors, the Commission may approve the date of commercial operation prior to the element coming into regular service;
- (19) “**day**” means the 24 hour period starting at 0000 hour;
- (20) “**distribution licensee**” means a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;
- (21) “**existing project**” means a project declared under commercial operation from a date prior to 01.04.2011;
- (22) “**financial year**” means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (23) “**intra-State transmission system**” means any system for conveyance of electricity by transmission lines within the area of the State and includes all transmission lines, sub-stations and associated equipment of the transmission licensees in the State:

Provided that the definition of point of separation between a transmission system and distribution system and between a generating station and transmission system shall be guided by the provisions of the Regulations notified by the Authority under clause (b) of section 73 of the Act;

- (24) “**licence**” means a licence granted by the Commission under section 14 of the Act;

- (25) **“licensed business”** means the functions and activities, which the licensee is required to undertake in terms of the licence granted by the Commission or being a deemed licensee under the Act;
- (26) **“licensee”** means a person who has been granted a licence and shall include a deemed licensee;
- (27) **“long term transmission customer”** means a person availing or intending to avail access to the intra-State transmission system for a period of twelve years or more and less than twenty five years;
- (28) **“medium term transmission customer”** means a person availing or intending to avail access to the intra-state transmission system for a period of three months or more and less than three years;
- (29) **“non-tariff income”** means income relating to the licensed business other than from tariff (intra-State transmission of electricity), and excluding any income from other business;
- (30) **“original project cost”** means the capital expenditure incurred by the transmission licensee within the original scope of the project up to the cut-off date as admitted by the Commission;
- (31) **“other business”** means any business of the transmission licensee other than the licensed business;
- (32) **“project”** means the transmission system;
- (33) **“rated voltage”** means the voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with long-term transmission customers;
- (34) **“short term transmission customer”** means a person availing or intending to avail access to the intra-State transmission system for a period up to 1 month;
- (35) **“State”** means the State of Himachal Pradesh;
- (36) **“transmission business”** means the authorised business of a transmission licensee to transmit electricity, whether for its own account or for that of any other person, through any system owned and/ or operated by such licensee;
- (37) **“transmission licensee”** means the entity, which has been granted a transmission licence or is a deemed licensee under the first, second, third or fifth provisos to section 14 of the Act;
- (38) **“transmission service agreement”** means and includes the agreement, contract, memorandum of understanding, or any such other covenants, entered into between the transmission licensee and the beneficiaries;
- (39) **“transmission system”** means the system consisting mainly of extra high voltage electric lines having design voltage of above 33 kV, owned or controlled by the transmission licensee, and used for the purposes of the conveyance of electricity

between the switchyards of two generating sets or from the switchyard of a generating set to a sub-station, or between substations, or to or from any external interconnection and includes all bays/equipment upto the interconnection with the distribution system, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a distribution system;

- (40) **“user”** means the distribution licensee or open access customer, as the case may be, who uses the intra-State transmission network for the purpose of selling/procuring electricity;
- (41) **‘useful life’** in relation to a unit of a transmission system from the COD shall mean the following, namely:-
- (a) AC and DC sub-station - 25 years
- (b) Transmission line - 35 years;
- (42) **“year”** means a financial year; and
- (43) the words and expressions used in these regulations and not defined herein but defined in the Act shall have the meanings respectively assigned to them in the Act.

PART-II

GUIDING PRINCIPLES

4. General Approach

- (1) In accordance with the principles laid down in these regulations, the Commission shall determine the aggregate revenue requirement (ARR) for the transmission business.
- (2) Tariff determined by the Commission and the directions given in the tariff order made by the Commission shall be quid pro quo and mutually inclusive. The tariff determined shall, within the period specified by it, be subject to the compliance of the directions to the satisfaction of the Commission and their non-compliance shall lead to such amendment, revocation, variation and alteration of the tariff, as may be ordered by the Commission.
- (3) The tariff order shall, unless amended or revoked, continue to be in force for such period as may be specified in the tariff order. In the event of failure on the part of the licensee to file the aggregate revenue requirement (ARR) under Part-IV and V, the tariff determined by the Commission shall cease to operate, unless allowed to be continued for a further period with such variations, or modifications, as may be ordered by the Commission.

5. Multi Year Tariff (MYT) Framework

- (1) The Commission shall adopt multi year tariff framework for approval of ARR and expected revenue from tariffs and charges. The ARR and tariffs will be determined for the control period.
- (2) The multi year tariff framework shall be based on the following: -

- (a) **Business plan** of the transmission licensee for the entire control period to be submitted to the Commission for approval, prior to the beginning of the control period;
- (b) **Trajectory for specific parameters** shall be stipulated by the Commission, where the performance of the applicant is sought to be improved through incentives and disincentives.

6. Determination of Baseline

The baseline values (operating and cost parameters) for the base year of the control period shall be determined by the Commission and shall be based on the approved values by the Commission, the latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission. The Commission may re-determine the baseline values for the base year based upon the actual audited accounts of the base year.

7. Capital Investment Plan

- (1) The Commission shall approve the system augmentation plan submitted by the transmission licensee, based on the load growth forecast during the control period. The same would be considered for computation of ARR, wherein the amount of electricity transmitted by the transmission system shall be projected considering the estimated growth plan of transmission customer and any plans of new transmission system, based on network expansion plans within the State.
- (2) Capital investment plan submitted by the licensee shall also provide details of ongoing projects that will spill into the control period and new projects that will commence during the control period but may extend beyond the control period.
- (3) The capital investment plan shall be in conformity with the plans made by the CEA/CTU/STU. The investment plan shall be scheme-wise and each scheme shall include-
 - (a) purpose of investment (i.e. replacement of existing assets, meeting load growth, technical loss reduction, meeting reactive energy requirements, improvement in quality and reliability of supply, etc) ;
 - (b) Capital Structure;
 - (c) Capitalisation Schedule;
 - (d) Financing Plan;
 - (e) Cost-benefit analysis;
 - (f) Improvement in operational efficiency envisaged in the control period.
- (4) The Commission shall review the actual capital expenditure incurred and capitalisation at the end of each year of the control period vis-à-vis the approved capital expenditure and capitalisation schedule. In the normal course, the Commission shall not revisit the approved capital investment plan (capital expenditure and capitalisation schedule) during the control period and adjustment to depreciation, interest on capital loan and

return on equity for the actual capital expenditure incurred and capitalisation vis-à-vis approved capital investment plan (capital expenditure and capitalisation) shall be done at the end of control period.

- (5) In case the capital expenditure is required for emergency work which has not been approved in the Capital Investment Plan, the licensee shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work seeking approval by the Commission. The licensee shall take up the work prior to the approval of the Commission provided that the emergency nature of the scheme has been certified by its board of directors.

8. Renovation and Modernisation

- (1) The transmission licensee for meeting the expenditure on renovation and modernization for the purpose of extension of life beyond the useful life of the transmission system, shall make an application before the Commission for approval of the proposal with a detailed project report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, consent of beneficiaries and any other information considered to be relevant by the transmission licensee.
- (2) Where the transmission licensee makes an application for approval of renovation and modernisation proposal, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.
- (3) Any expenditure incurred or projected to be incurred as admitted by the Commission after prudent check based on the estimates of renovation and modernisation expenditure and life extension, and after writing off the original amount of the replaced assets and deducting the accumulated depreciation including advance against depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

9. Controllable Parameters

The Commission will set targets for the items or parameters that are deemed to be “controllable” and which will include -

- (a) Availability of the transmission system;
- (b) Operation and Maintenance Expenses which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;
- (c) Financing cost which includes cost of debt including working capital (interest), cost of equity (return);
- (d) Depreciation.

10. True Up

- (1) The true up across various controllable parameters shall be conducted as per principles stated below:

- (a) any surplus and deficit on account of O&M expenses shall be to the account of the transmission licensee and shall not be trued up in ARR; and
- (b) at the end of the control period –
 - (i) the Commission shall review actual capital investment vis-à-vis approved capital investment;
 - (ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission.
- (2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of *force majeure* factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.

11. Operational Norms

Normative Annual Transmission System Availability Factor (NATAF): The target availability for recovery of full transmission charges during the control period shall be as under: -

- (a) the alternating current (AC) System: 98%
- (b) the high voltage direct current (HVDC) bi-pole links: 92%
- (c) the high voltage direct current (HVDC) back-to-back stations: 95%.

PART-III

PRINCIPLES FOR DETERMINATION OF AGGREGATE REVENUE REQUIREMENT (ARR)

12. ARR for Transmission Licensee

- (1) Tariff in respect of the transmission system may be determined for the whole of the transmission system or for the individual transmission line / sub-station.
- (2) The aggregate revenue requirement for the transmission business for each year of the control period shall contain the following items: -
 - (a) Operation and Maintenance expenses;
 - (b) financing cost which includes cost of debt including working capital (interest), cost of equity (return);
 - (c) depreciation;
 - (d) income tax;
 - (e) non-tariff income ; and

Less:

- (i) income from other business.

13. Operation and Maintenance (O&M) Expenses

- (1) Operation and Maintenance (O&M) expenses shall comprise of the following:-
- (a) salaries, wages, pension contribution and other employee costs;
 - (b) administrative and general expenses including insurance charges if any;
 - (c) repairs and maintenance expenses;
 - (d) other miscellaneous expenses, statutory levies and taxes (except corporate income tax).
- (2) The transmission licensee shall submit the O&M expenses for the control period as laid down in the multi year tariff filing procedure. The O&M expenses for the base year will be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission.
- (3) The O&M expenses for the nth year of the control period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n$$

Where -

$$EMP_n = (EMP_{n-1}) * (1 + G_n) * (CPI_{inflation})$$

$$A\&G_n = (A\&G_{n-1}) * (WPI_{inflation})$$

‘K’ is a constant (could be expressed in %). Value of K for each year of the control period shall be determined by the Commission in the MYT Tariff order based on licensee’s filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

$CPI_{inflation}$ – is the average increase in the Consumer Price Index (CPI) for immediately preceding three years before the base year;

$WPI_{inflation}$ – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three years before the base year;

EMP_n – employee’s cost of the transmission licensee for the nth year;

$A\&G_n$ – administrative and general costs of the transmission licensee for the nth year;

$R\&M_n$ – repair and maintenance costs of the transmission licensee for the nth year;

GFA_{n-1} – Gross Fixed Asset of the transmission licensee for the n-1th year;

G_n is a growth factor for the n th year. Value of G_n shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on licensee's filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate:

Provided that repair and maintenance expenses determined shall be utilized towards repair and maintenance works only.

14. Capital cost of the project

(1) The capital cost for a project shall include-

- (a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check;
- (b) capitalised initial spares subject to the ceiling norms as per regulation 15;
- (c) additional capital expenditure determined under regulation 16:

Provided that the assets forming part of the project, but not in use, shall be taken out of the capital cost.

(2) The capital cost admitted by the Commission, after prudence check, shall form the basis for determination of tariff:

Provided that the prudence check of capital cost may be carried out based on the benchmark norms to be specified by the Commission from time to time:

Provided further that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff:

Provided further that where the implementation agreement and the transmission service agreement entered into between the transmission licensee and the longterm transmission customer provides for ceiling of actual expenditure, the capital expenditure admitted by the Commission shall take into consideration such ceiling for determination of tariff:

Provided further that in case of the existing projects, the capital cost admitted by the Commission prior to 01.04.2011 and the additional capital expenditure projected to be incurred for the respective years of the control period, as may be admitted by the Commission, shall form the basis for determination of tariff.

15. Initial Spares

Initial spares shall be capitalised as a percentage of the original project cost, subject to following ceiling norms:-

- (a) transmission line - 0.75%
- (b) transmission Sub-station - 2.5%
- (c) Series Compensation devices and HVDC Station - 3.5%

16. Additional Capitalisation

- (1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check-

- (a) undischarged liabilities;
- (b) works deferred for execution;
- (c) procurement of initial capital spares within the original scope of work, subject to the provisions of regulation 15;
- (d) liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (e) change in law:

Provided that the details of works included in the original scope of work, along with estimates of expenditure, undischarged liabilities and the works deferred for execution, shall be submitted along with the application for determination of tariff.

- (2) The capital expenditure incurred on the following counts after the cut off date may, in its discretion, be admitted by the Commission, subject to prudence check:-

- (a) liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- (b) change in law;
- (c) in case of transmission system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system:

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalisation for determination of tariff w.e.f. 1.4.2011.

17. Asset Base

- (1) The Commission shall determine the asset base for each year of the control period at the beginning of the control period, which shall be -

Sum of-

- (a) The asset base of the base year as determined by the Commission considering the most recent audited accounts, estimates of actuals during the base year checked for prudence and any other factors considered appropriate by the Commission, and
- (b) Proposed capitalisation during the year, checked for prudence covering-
 - (i) schemes for which Commission's approval has been granted,
 - (ii) schemes which have been submitted for Commission's approval, and
 - (iii) schemes not requiring Commission's approval.

Less-

Assets proposed to be retired during the year.

- (2) The interest on loan capital and return on equity shall be computed on the financing of the cost of the schemes included in the asset base.

18. Debt-equity ratio

For the purpose of determination of the tariff, the equity and outstanding debt as determined for the base year by the Commission shall be considered as given. However, for any fresh capitalization of assets, the Commission shall apply a debt-equity ratio of 70:30 on the capitalised amount as approved by the Commission for each year of the control period:

Provided that where equity employed is in excess of 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in regulation 20. Where actual equity employed is less than 30%, the actual equity shall be considered.

19. Return on Equity

- (1) Return on equity shall be computed on the equity determined in accordance with regulation 18 and on pre-tax basis at the base rate of 15.5% to be grossed up as per sub-regulation (3) of this regulation:
- (2) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2010-11 applicable to the concerned transmission licensee company:

Provided that return on equity with respect to the actual tax rate applicable to the transmission licensee in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be tried up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

- (3) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:-

- (a) Rate of pre-tax return on equity = Base rate / (1-t)
- (b) Where t is the applicable tax rate in accordance with sub-regulation (2) of this regulation.

Illustration.-

- (i) In case of the transmission licensee paying Minimum Alternate Tax (MAT) @ 19.93% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.1993) = 19.358\%$$

- (ii) In case of transmission licensee company paying normal corporate tax @ 33.22% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.3399) = 23.481\%$$

20. Interest and Finance Charges

- (1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment in accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

- (2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the transmission licensee does not have actual loan then the weighted average rate of interest of the transmission licensee as a whole shall be considered.

- (3) The interest rate on the amount of equity in excess of 30% treated as notional loan shall be the weighted average rate of the loans of the respective years and shall be further limited to the rate of return on equity specified in these regulations:

Provided that all loans considered for this purpose shall be identified with the assets created:

Provided further that the interest and finance charges of re-negotiated loan agreements shall not be considered, if they result in higher charges:

Provided further that the interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost:

Provided further that neither penal interest nor overdue interest shall be allowed for computation of tariff.

- (4) In case any moratorium period is availed of in any loan, depreciation provided for in the tariff during the years of moratorium shall be treated, as notional repayment of loan during those years and interest on loan capital shall be calculated accordingly.
- (5) The transmission licensee shall make every effort to refinance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such refinancing shall be borne by the transmission customers and any benefit on account of refinancing of loan and interest on loan shall be passed on to the transmission customers. Refinancing may also include restructuring of debt.
- (6) In respect of foreign currency loans, variation in rupee liability due to foreign exchange rate variation, towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of such foreign exchange rate variation and is not attributable to the transmission licensee or its suppliers or contractors.

21. Working Capital

The Commission shall calculate the working capital requirement for the transmission licensee containing the following components: -

- (a) O&M expenses for 1 month;
- (b) maintenance spare @ 40% of repair and maintenance expenses for one month; and
- (c) receivables for two months based on the projected annual transmission charges.

22. Interest Charges on Working Capital

Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal to the Short Term Prime Lending Rate of the State Bank of India as on 1st April of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.

23. Depreciation

- (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.
- (2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.
- (3) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.

- (4) For transmission project which are in operation for less than 12 years, the difference between the cumulative depreciation recovered and the cumulative depreciation arrived at by applying the depreciation rates specified in this regulation corresponding to 12 years, shall be spread over the period up to 12 years, and the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.
- (5) For the project in operation for more than 12 years, the balance depreciation to be recovered shall be spread over the remaining useful life of the asset.
- (6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

24. Non-tariff Income

- (1) All income being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, income from investments (other than investment of equity), and miscellaneous receipts from the transmission customers excluding income to licensed business from the other business of the transmission licensee shall constitute non-tariff income of the licensee.
- (2) The amount projected by the licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of the licensee.

25. Other Income of the Transmission Licensee

Where the transmission licensee is engaged in any other business, the income from such business will be calculated in accordance with the Himachal Pradesh Electricity Regulatory Commission (Treatment of Income of Other Businesses of Transmission Licensees and Distribution Licensees) Regulations, 2005 and shall be deducted from the aggregate revenue requirement in calculating the revenue requirement of the transmission licensee:

Provided that the transmission licensee shall follow a reasonable basis for allocation of all joint and common costs between the transmission business and the other business and shall submit the allocation statement, as approved by its board of directors, to the Commission along with his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the transmission licensee on account of such other business.

26. Refund of excess amount

The licensee shall recover the charges as determined by the Commission. Where any licensee recovers charges exceeding those determined by the Commission, the excess amount shall be refunded to the person who has paid such excess charges, alongwith interest equal to the prevalent Short Term Prime Lending rate of the State Bank of India without prejudice to any other liability incurred by such licensee.

27. Late Payment Surcharge

In case the payment of bills of transmission charges is delayed beyond a period of one month from the date of billing, the transmission licensee may levy a late payment surcharge at the rate of 1.25% per month.

28. Rebate

For payment of bills of transmission charges through a letter of credit on presentation, a rebate of 2% shall be allowed. If the payment is made by any other mode but within a period of one month of presentation of bills by the transmission licensee, a rebate of 1% shall be allowed.

29. Quality of Supply

- (1) The Commission shall monitor the following quality of supply parameters during the control period: -
 - (a) transmission system availability;
 - (b) transformer failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the transmission system, over a specified period of time.
- (2) The transmission licensee in its business plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will lay down the targets for each parameter in the MYT order. The transmission licensee shall submit its performance on each parameter in the form and manner laid down by the Commission.

30. Safety Standards

The transmission licensee shall develop a safety manual and follow procedures to maintain atleast minimum safety standards during construction, operation, etc. in line with provisions of section 53 of the Act.

PART-IV

**PRINCIPLES FOR DETERMINATION OF TRANSMISSION
TARIFF/ CHARGES**

31. Transmission Tariff / Charges

- (1) The transmission charges payable by the transmission customers of the transmission system shall be designed to recover the aggregate revenue requirement computed as annual transmission charges by the Commission for each year of the control period.
- (2) In addition to transmission charges, charges for reactive energy, as may be determined by the Commission in the MYT order, shall also be payable by all the transmission customers of the system.

32. Annual Transmission Service Charge

- (1) The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users.
- (2) The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be-

$$AFC \times (NDM / NDY) \times (TAFM / NATAF)$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees;

NATAF = Normative annual transmission availability factor, in per cent specified in regulation 11;

NDM = Number of days in the month;

NDY = Number of days in the year; and

TAFM = Transmission system availability factor for the month, in percent, computed in accordance with Appendix-II to these Regulations.

- (3) The transmission licensee shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of the TAFM to be certified by the SLDC within 30 days from the last day of the relevant month:

Provided that wherever it is necessary or expedient to incentivise the open access, the Commission may, by order, cap the transmission charges calculated under this sub-regulation.

33. Allocation of Transmission Service Charge and Losses

- (1) The Annual Transmission Service Charge (ATSC) shall be shared between the long and medium term customers of the transmission system on monthly basis based on the allotted transmission capacity or contracted capacity, as the case may be.
- (2) No distinction in charges shall exist in terms of long term, medium term or short term access to the intra-State transmission system:

Provided that the transactions for long term and medium term shall be denominated in Rs/kW/month or any suitable denomination as may be stipulated by the Commission.

- (3) For short term bilateral transactions and short term collective transactions through power exchanges, the transmission tariff shall be denominated in Rs/kWh.
- (4) 25% of the charges collected from the short term open access customer shall be retained by the transmission licensee and the balance 75% shall be considered as non-tariff income and adjusted towards reduction in the transmission service charges payable by the long term and medium term users.

- (5) The energy losses in the transmission system of the transmission licensee, as determined by the State Load Despatch Centre and approved by the Commission, shall be apportioned between users in proportion to their usage of the intra-State transmission system.
- (6) Notwithstanding anything contained in these regulations, the Commission after conducting study and due regulatory process may notify the revised sharing and recovery of annual transmission service charge of the transmission licensee.

34. Charges for intervening transmission facilities

- (1) The rates and charges for intervening transmission facilities, if any, provided by the licensee shall be as mutually agreed upon between the licensee and the users of such facilities:

Provided that the rates and charges agreed upon shall be fair and reasonable and may be allocated in proportion to the use of the transmission facilities.

- (2) Mutual agreement on these matters would be in the best interest of the parties. In case, such agreement cannot be reached within a reasonable period of time, either party shall be entitled to approach the Commission for determination under the proviso to sub-section (1) of section 36 of the Act and the Commission would expect evidence that negotiations were held in good faith and all reasonable efforts were made to arrive at a mutual agreement.
- (3) The parties shall be at liberty to approach the Commission in case of any dispute regarding the extent of surplus capacity available, as provided for in section 35 of the Act.
- (4) An application shall be made to the Commission for an order requiring any other licensee owning or operating intervening transmission facilities to provide their use to the extent of surplus capacity available with it.
- (5) After an order is passed under sub-regulation (4) of regulation 34, read with section 35 of the Act, the concerned licensee shall provide his intervening transmission facilities at rates, charges and on terms and conditions as may be mutually agreed upon, under section 36 of the Act.

35. Compliance with the directions by Transmission Licensee

- (1) Subject to the directions issued by the National Load Despatch Centre or the Regional Load Despatch Centre, the State Load Despatch Centre (SLDC) may, under sub-section (2) of section 32 and sub-section (1) of section 33, read with clause (b) of section 40 of the Act, give such directions as it may consider appropriate, for maintaining the availability of the transmission system and the transmission licensee shall duly comply with all such directions.
- (2) The Commission, on an application filed by the State Load Despatch Centre (SLDC) and after hearing the transmission licensee, if satisfied that the transmission licensee has persistently failed to maintain the availability of the transmission system, may issue such directions to the State Load Despatch Centre (SLDC) to take control of the operations of the transmission system of such transmission licensee, for such period and on such terms, as the Commission may decide.

- (3) The directions under sub-regulations (1) and (2) of regulation 35 shall be without prejudice to any action which may be taken against the transmission licensee under other provisions of the Act.

PART-V

MULTI YEAR TARIFF FILING PROCEDURE

36. Multi-Year Filings for the Control Period

- (1) The multi year tariff filing shall be in such form and in such manner as may be laid down by the Commission by an order and also as per the provisions of the Conduct of Business Regulations.
- (2) The transmission licensee shall also submit the multi year tariff filing in electronic format to the Commission.

37. Beginning of the Control Period - Business Plan Filings

The transmission licensee shall file for the Commission's approval, on 1st April of the year preceding the first year of the control period or any other date as may be directed by the Commission, a business plan approved by its board of directors. The business plan shall be for the entire control period and shall, interalia, contain -

- (a) **Capital Investment Plan:** This should be commensurate with load growth and quality improvement proposed in the business plan. The investment plan should also include corresponding capitalisation schedule and financing plan; The Commission shall approve the system augmentation/expansion plan submitted by the transmission licensee, based on the load growth forecast/generation evacuation requirement during the control period. The capital investment plan shall be in conformity with the plans made by the CEA/ CTU/STU/distribution licensee.
- (b) **Capital Structure:** The appropriate capital structure of each scheme proposed and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;
- (c) **Operation and Maintenance (O&M) Expenses:** This shall include the costs estimated for the base year, the actual expenses incurred in the previous two years and the projected values for each year of the control period based on the proposed norms for O&M cost, including indexation and other appropriate mechanism;
- (d) **Depreciation:** Based on the on the useful life of the asset and capitalization schedules for each year of the control period;
- (e) **Performance Targets:** A set of targets proposed for controllable items such as, availability of transmission system, transformer failure rate, and any other parameters for quality of supply for each year of the control period for the purpose of incentive / penalties. The targets shall be consistent with the capital investment plan proposed by the transmission licensee;
- (f) Proposals for Non-tariff Income with item-wise description and details;

- (g) Proposals in respect of income from Other Business;
- (h) **Other Information:** This shall include any other details considered appropriate by the transmission licensee for consideration during determination of tariff.

38. Tariff Filing

- (1) The transmission licensee shall file an application for approval of transmission tariff for each year of the control period, not less than 120 days before the commencement of the first year of the control period or such other date as may be directed by the Commission.
- (2) The transmission tariff shall be determined for each year of the control period at the beginning of the control period. The licensee shall propose capacity based wheeling tariff. The licensee shall also indicate the transmission losses voltages wise to provide for adjustment of losses in the system.
- (3) The filings for transmission tariff shall contain the following: -
 - (a) the transmission system or network usage forecast for each year of the control period, consistent with the business plan;
 - (b) proposals for transmission tariff design for each year of the control period, including the losses to be charged and the procedure thereof;
 - (c) proposal for transmission tariff rate for the each year of the control period supported by adequate justification;
 - (d) proposal for reactive energy charges; and
 - (e) expected revenue from the licensed business, non-tariff income and income from other business and other matters considered appropriate by the transmission licensee.
- (4) The licensee shall furnish to the Commission, such additional information, particulars and documents as the Commission may require from time to time after such filing of revenue calculations and tariff proposals.
- (5) The licensee shall publish, for the information of the public, the contents of the application in an abridged form in such manner as the Commission may direct and shall host the complete copy of the filing on its website and shall also provide copies of the documents filed with the Commission to any person at a price not exceeding normal photocopying charges.

39. Review at the end of the Control Period

- (1) Towards the end of the control period, the Commission shall review if the implementation of the principles laid down in these regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and the licensee's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the next control period.

- (2) The end of the control period shall be the beginning of the next control period and the licensee shall follow the same procedure, unless required otherwise by the Commission. The Commission shall analyse the performance of the licensee with respect to the targets set out at the beginning of the control period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next control period.

40. Disposal of Application

- (1) The Commission will process the filings made by the transmission licensee in accordance with these regulations and the Conduct of Business regulations.
- (2) Based on the transmission licensee's filings, objections/ suggestions from public and other stakeholders, the Commission may, within 120 days of the receipt of the application, complete in all respects, and after considering all suggestions and objections from public and other stakeholders, -
 - (a) issue, a tariff order with such modifications and/or such conditions, as may be deemed just and appropriate containing, inter-alia targets for controllable items and transmission tariffs for each year of the control period; or
 - (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force.

41. Publication

The transmission licensee shall publish the tariff approved by the Commission in the newspapers, having circulation in the area of supply, as the Commission may direct. The publication shall, besides such other things as the Commission may require, include a general description of the tariff changes.

PART-VI

MISCELLANEOUS

42. Sharing of Clean Development Mechanism (CDM) Benefits

The proceeds of carbon credit from approved CDM project shall be shared in the following manner, namely:-

- (a) 100% of the gross proceeds on account of CDM to be retained by the project developer in the first year (12 months) after the date of commercial operation of the transmission system;
- (b) in the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion, by the transmission licensee and the users.

43. Tax on Income

In view of pre tax return on equity, tax on the income streams of the transmission licensee shall not be recovered from the beneficiaries:

Provided that the deferred tax liability, excluding Fringe Benefit Tax, for the period up to 31st March, 2011 whenever it materialises, shall be recoverable directly from the beneficiaries and the long-term customers.

44. Foreign Exchange Rate Variation.

- (1) The transmission licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the transmission system in part or full in the discretion of the transmission licensee.
- (2) Every transmission licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- (3) To the extent the transmission licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the transmission licensee or its suppliers or contractors.
- (4) Every transmission licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

45. Recovery of cost of hedging Foreign Exchange Rate Variation

Recovery of cost of hedging and foreign exchange rate variation shall be made directly by the transmission licensee from the users without making any application before the Commission:

Provided that in case of any objections by the users to the amounts claimed on account of cost of hedging or foreign exchange rate variation, the transmission licensee may make an appropriate application before the Commission for its decision.

46. Transitory provisions-

Notwithstanding anything to the contrary contained in these regulations –

- (a) the tariff order issued by the Commission for the control period ending on the 31st March, 2011 shall continue to operate; and
- (b) the proceedings (including review petition) for amendments, revocation, variation or alteration of the said tariff order shall continue to be filed and dealt with as if the repealed regulations in respect of the said tariff determination continue to be in force, and the provisions of these regulations shall not apply.

47. Issue of Orders and Practice Directions

- (1) Subject to the provision of the Act and these regulations, the Commission may, from time to time, issue orders and practice directions, prescribe formats in regard to the implementation of these regulations and procedure to be followed on various matters, which the Commission has been empowered by these regulations to direct, and matters incidental or ancillary thereto.

- (2) Notwithstanding anything contained in these regulations, the Commission shall have the authority, either suo motu or on a petition filed by any interested or affected person, to determine the tariff of any applicant.

48. Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these regulations or the Act, do or undertake to do things or direct the transmission licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

49. Power of relaxation

The Commission may, in public interest and for reasons to be recorded in writing, relax any of the provision of these regulations.

50. Interpretation

All issues arising in relation to the interpretation of these regulations shall be determined by the Commission and the decision of the Commission on such issues shall be final.

51. Saving of Inherent Powers of the Commission

Nothing contained in these regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these regulations.

52. Enquiry and Investigation

All enquiries, investigations and adjudications under these regulations shall be done by the Commission in accordance with the provisions of the Conduct of Business Regulations.

53. Repeal and Savings

- (1) The Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007 are hereby repealed.
- (2) Notwithstanding such repeal-
 - (a) anything done or any action taken or purported to have been done or taken under the repealed regulations shall, in so far as it is not inconsistent with the provisions of these regulations, be deemed to have been done or taken under the corresponding provisions of these regulations;
 - (b) the provisions concerning the tariff order made for the control period ending on the 31st March, 2011 and the provisions for conduct of the proceedings (including review petitions) for its revocations, variation or alternation as, stood before such repeal, shall continue to be in force.;

- (c) the provisions relating to the State Load Despatch Centre (SLDC) Fees and Charges, as contained in Part-V of the repealed regulations shall continue to apply till the Commission notifies separate regulations covering the said aspects.

By Order of the Commission,

Sd/-
Secretary

Appendix I: Depreciation Schedule (see Regulation 23)

No.	Asset Particulars	Depreciation Rate (salvage Value = 10%)
A	Land under full ownership	0.00%
B	Land under lease	
(a)	For investment in land	3.34%
(b)	For cost of clearing the site	3.34%
C	Assets purchased new	
(i)	Buildings and civil engineering works of a permanent character, not mentioned above:	
(ii)	Offices and showrooms	3.34%
(iii)	Temporary erection such as wooden structures	100.00%
(iv)	Roads other than kutcha roads	3.34%
(v)	Others	3.34%
D	Transformers, transformer (kiosk) sub-station equipment and other fixed apparatus (including plant foundations)	
(i)	Transformers (including foundations) having a rating of 100kilo volt amperes and over	5.28%
(ii)	Others	5.28%
E	Switchgear, including cable connections	5.28%
F	Lightning arrestors:	5.28%
(i)	Station type	5.28%
(ii)	Pole type	5.28%
(iii)	Synchronous condenser	5.28%
G	Batteries	5.28%
(i)	Underground cable including joint boxes and disconnected boxes	5.28%
(ii)	Cable duct system	5.28%
H	Overhead lines including supports:	
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	5.28%
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kV but not exceeding 66 kV	5.28%
(iii)	Lines on steel or reinforced concrete supports	5.28%
(iv)	Lines on treated wood supports	5.28%

No.	Asset Particulars	Depreciation Rate (salvage Value = 10%)
I	Meters	5.28%
J	Self propelled vehicles	9.50%
K	Air conditioning plants:	
(i)	Static	5.28%
(ii)	Portable	9.50%
L(i)	Office furniture and fittings	
(ii)	Office equipments	6.33%
(iii)	Internal wirings including fittings and apparatus	6.33%
(iv)	Street Light fittings	5.28%
M	Apparatus let on hire:	
(i)	Other than motors	9.50%
(ii)	Motors	6.33%
N	Communication equipment	
(i)	Radio and higher frequency carrier systems	6.33%
(ii)	Telephone lines and telephones	6.33%
O	I.T Equipment	15.00%
P	Any other assets not covered above	5.28%

Appendix II - Procedure for Calculation of Transmission System Availability Factor for a Month (See Regulation 32(2))

1. Transmission System Availability Factor for a calendar month (TAFM) shall be calculated by the Transmission Licensee, got verified and certified by the SLDC and separately for each AC transmission system and grouped according to sharing of transmission charges.
2. TAFM, in percent, shall be equal to $(100 - 100 \times \text{NAFM})$, where NAFM is the non-availability factor in per unit for the month, for the transmission system / subsystem.
3. NAFM for A.C. systems / sub-systems shall be calculated as follows:

$$\text{NAFM} = \left[\sum_{l=1}^L (\text{OH } l \times \text{Ckt. km } l \times \text{NSC } l) + \sum_{t=1}^T (\text{OH } t \times \text{MVA } t \times 2.5) + \sum_{r=1}^R (\text{OH } r \times \text{MVAR } r \times 4) \right] / \text{THM} \times \left[\sum_{l=1}^L (\text{Ckt. km } l \times \text{NSC } l) + \sum_{t=1}^T (\text{MVA } t \times 2.5) + \sum_{r=1}^R (\text{MVAR } r \times 4) \right]$$

Where,

l identifies a transmission line circuit;

t identifies a transformer / Inter connecting transformer (ICT);

r identifies a bus reactor, switchable line reactor or Static VAR Compensation (SVC);

L = total number of line circuits;

T = total number of transformers and ICTs;

R = total number of bus reactors, switchable line reactors and SVCs;

OH = Outage hours or hours of non-availability in the month, excluding the duration of outages not attributable to the Transmission Licensee, if any, as per clause 5;

Ckt. km = Length of a transmission line circuit in km;

NSC = Number of sub-conductors per phase;

MVA = MVA rating of a transformer / ICT;

MVAR = MVAR rating of a bus reactor, switchable line reactor or an SVC (in which case it would be the sum of inductive and capacitive capabilities);

THM = Total hours in the month;

4. The transmission elements under outage due to following reasons shall be deemed to be available:-
 - (1) Shut down availed for maintenance or construction of elements of another transmission scheme. If the other transmission scheme belongs to the Transmission Licensee, the SLDC may restrict the deemed availability period to that considered reasonable by him for the work involved.
 - (2) Switching off of a transmission line to restrict over voltage and manual tripping of switched reactors as per the directions of SLDC.
5. Outage time of transmission elements for the following contingencies shall be excluded from the total time of the element under period of consideration.
 - (1) Outage of elements due to acts of God and force majeure events beyond the control of the Transmission Licensee. However, onus of satisfying the SLDC that element outage was due to aforesaid events and not due to design failure shall rest with the Transmission Licensee. A reasonable restoration time for the element shall be considered by SLDC and any additional time taken by the Transmission Licensee for restoration of the element beyond the reasonable time shall be treated as outage time attributable to the Transmission Licensee. SLDC may consult the Transmission Licensee or any expert for estimation of reasonable restoration time. Circuits restored through ERS (Emergency Restoration System) shall be considered as available.
 - (2) Outage caused by grid incident/disturbance not attributable to the Transmission Licensee, e.g. faults in substation or bays owned by other agency causing outage of the Transmission Licensee's elements, and tripping of lines, ICTs, etc. due to grid disturbance. However, if the element is not restored on receipt of direction from SLDC while normalizing the system following grid incident/disturbance within reasonable time, the element will be considered not available for the period of outage after issuance of SLDC's direction for restoration.

